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Daily Report
East Asia

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Japan

European, Asian Nations React to Framework Talks

OW0610141494 Tokyo ASAHI SHIMBUN in Japanese 2 Oct 94 Morning Edition p 9

[Report by Nobuyuki Sugiura in Madrid, Koji Takeuchi in Bangkok, and Yuki Nagamochi in Beijing: "Foreign Nations Show Mixed Response of Expectation and Wariness"]

[FBIS Translated Text] European and Asian nations have been paying great attention to the Japan-U.S. framework talks. While they expect further opening of the Japanese market, they are anxious about the possibility that Japan will give preferential treatment only to the United States after the negotiations. Their perspectives are complicated. Meanwhile, China—which has also been faced with economic frictions with the United States—is planning to analyze the process of the Japan-U.S. talks to prepare for future negotiations with the United States.

Report by Nobuyuki Sugiura: "European Nations Appreciate Japan's Market-Opening Efforts."

The European Union (EU) and other European nations have been watching the developments of the bilateral talks from two viewpoints.

One is the opening of the Japanese market. European nations, as well as the United States, demand Japan's market-opening efforts. In considering their exports to Japan, how Japan would indicate its attitude on this question is very important for the European nations, especially for the UK and France, which have been promoting exports to Japan. They have begun praising the Japanese Government's decision on opening up its market.

However, there is a prevailing feeling of wariness of the fact that Japan and the United States are holding talks only between themselves. European nations are expressing anxiety, especially about developments in the government procurement sector. An EU official said: "If the Japanese Government gives substantial preferential treatment to U.S. companies in the government procurement sector, Japanese private companies will treat them in the same manner as the government does. If European nations receive discriminative treatment in favor of U.S. companies, it will be very difficult to prove because such business dealings may not be made public."

Report by Koji Takeuchi: "Southeast Asian Nations Criticize the United States for Its Attitude at the Negotiations"

Southeast Asian nations are strongly wary of the possibility that the trade talks may reach conclusions beneficial to the United States. Purayatawi [name as published], Thai assistant vice foreign minister, warned: "It is good that Japan will further expand imports. However, it will not be good if Japan's inclination to import U.S. products will prevent the growth of imports from Asian nations."

The U.S. attitude at the negotiations is also criticized. A young senior official of the Thai Foreign Ministry said: "Existing Japanese import regulations mainly stem from the uniqueness of its society and culture. However, the United States does not understand that, and still deals with the talks like cowboys—"Do what I say or I will shoot. It is impossible to achieve results in a short period."

Report by Yuki Nagamochi: "China Is Preparing for Possible Frictions With the United States"

Chinese Government officials have been paying attention to the developments of the recent Japan-U.S. framework talks. China has the largest trade surplus with the United States. Signs of economic frictions are gradually emerging. Economic diplomacy with the United States will become increasingly important for China, which is a political power, and a potential major economic power.

In the post Cold War era, economic strategies have become even more important. Under such circumstances, China intends to prepare for the possibility that economic issues will become "political" matters between the United States and China. The United States has made tough demands at negotiations with China on its GATT membership. Thus, the hypothetical situation is becoming an actuality. Therefore, it is certain that the Chinese Government will study details of developments and results of the Japan-U.S. negotiations, as well as the international community's response to the U.S. decisions.

Kobayashi Said Supporting Revival of SII Talks

OW0610004594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Oct 94 Morning Edition p 5

[FBIS Translated Text] At a news conference on 4 October, President Yotaro Kobayashi of the Japan-U.S. Economic Consultative Council [ECC] who is also chairman of Fuji Xerox Co., commented on how the Japan-U.S. framework talks should be. He said: "Talks should be held attaching importance to processes rather than to results." Thus, he indicated his view that the Japan-U.S. framework talks should be halted, and the Structural Impediments Initiative [SII] talks should be resumed instead. Then, he expressed his view, saying: "Trade issues, not only bilateral but also multinational issues, should also be discussed at the talks."

At the extraordinary ECC plenary session held on 4 October, members were selected to participate in a joint special working-level panel to be set up at the Conference of Japan-U.S. Business Leaders. It has been unofficially decided that Yotaro Kobayashi as well as President Minoru Makihara of Mitsubishi Corp., will be members of this panel. And other members selected are Chairman

Joichi Aoi of Toshiba Corp; Chairman Yutaka Kume of Nissan Motor Co; President Tasuku Takagaki of the Bank of Tokyo; and President Tadasu Toba of Ajinomoto Co.,Inc. These six will try to work out measures to settle Japan-U.S. trade friction in cooperation with U.S. business leaders. It has also been decided panels will be set up under the ECC to study issues concerning the three fields of market, trade structure, and macroeconomy.

MITI To Send Lower-Level Official for U.S. Talks

OW0610090794 Tokyo KYODO in English 0852 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—A senior trade ministry official will not attend a Japan-U.S. meeting on auto parts trade next week in Detroit in a gesture of protest against U.S. trade policy, ministry sources said Thursday [6 October].

They said Osamu Watanabe, director general of the Machinery and Information Industries Bureau at the Ministry of International Trade and Industry (MITI), decided not to attend the meeting to protest against a recent U.S. decision to start the process for trade sanctions against Japan. A lower-level MITI official will attend the meeting instead of Watanabe, the sources said.

Tatsuro Toyoda, chairman of the Japan Automobile Manufacturers Association and president of Toyota Motor Corp., will also attend, along with other auto industry executives, industry sources said.

The government-industry meeting Oct. 12-13, to be cosponsored by MITI and the U.S. Commerce Department, will be held to explain parts purchase policies of Japanese automakers to U.S. parts suppliers. It is the fifth such meeting since 1987.

The United States moved last week to initiate an investigation into auto parts business under Section 301 of its trade law for the possible imposition of sanctions against Japan after the two nations failed to reach an agreement on auto and auto parts trade during "framework" trade talks.

Glass Trade Talks With U.S. To Start 13 Oct

OW0610081094 Tokyo KYODO in English 0718 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Japan and the United States will hold working-level talks in Tokyo on Oct. 13-14 to thresh out details of a broad agreement on flat-glass trade, a senior trade ministry official said Thursday [6 October]. The accord has been reached in "framework" trade negotiations.

The coming talks will be held between division heads of Japan's Ministry of International Trade and Industry (MITI) and its U.S. counterpart, Vice International Trade and Industry Minister Hideaki Kumano said.

The two countries decided earlier this month to reach a final conclusion on the matter within 30 days.

Japanese and U.S. officials will discuss the specific ways in which Japan will try to promote imports of U.S. flat glass, including the setting up of model public works projects aimed at boosting the use of U.S. coated glass.

Auto Framework Talks Not To Resume Until 1995

OW0610095594 Tokyo MAINICHI SHIMBUN in Japanese 6 Oct 94 Morning Edition p 9

[FBIS Translated Text] On 5 October, a top official at the Ministry of International Trade and Industry [MITI] commented on prospects for negotiations on autos and auto parts in the Japan-U.S. framework trade talks, a sector on which the two nations recently failed to reach an agreement. He said: "The Transport Ministry is currently engaged in compiling deregulation measures for auto replacement parts, a focal issue in the auto talks. The ministry plans to complete the work before the end of the current fiscal year. Thus, we have no intention of visiting the United States this year to resume talks. The story will be different if U.S. negotiators visit Japan. But I am sure that they know well the situation here." In this way, he suggested that the talks would not resume until next year.

The United States recently decided to take steps toward imposing sanctions on Japan in the area of auto replacement parts under provision 301 of the U.S. Trade Act (which outlines steps for retaliation against trade partners' unfair practices). In response, MITI decided to "have a cooling off period," (as stated by MITI Minister Ryutaro Hashimoto).

USTR Action on Wood, Paper Displeases Officials

OW0610005894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Oct 94 Morning Edition p 5

[FBIS Translated Text] On 4 October, Minister of Agriculture, Forestry, and Fisheries [MAFF] Taichiro Okawara, expressed strong displeasure at the U.S. Trade Representative's [USTR] decision to place Japan's wood products on the "watch list" for possible trade sanctions under the Super 301 provision (regarding determining and taking punitive action against unfair trading partners and trade practices) of the Omnibus Trade and Competitiveness Act, saying: "The issue was settled during GATT's Uruguay Round of multilateral trade talks. If the United States is unhappy, we wonder what the whole round of trade talks was all about."

It is observed the USTR made its announcement to show that it is prepared to press Japan to further open the market for wood products. According to MAFF, the

United States has asked Japan a number of times for a mutual abolishment of tariffs rather than tariff reductions, even after accords were concluded at the Uruguay Round trade talks.

Meanwhile, on 4 October, a top official at the Ministry of International Trade and Industry also expressed displeasure at the U.S. Government's attitude in connection with the USTR decision to place Japan's wood products and paper on the "watch list" for possible trade sanctions. The official said: "The two sectors are both included in the framework trade talks. I see no reason to place them on the list for possible sanctions at a time when negotiations are progressing."

Background of Framework Trade Accord's Discussed

OW0510152594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 Oct 94 Morning Edition p 3

[Article by editorial staff member Hideo Tamura entitled: "Attention Paid to Asian Nations—Negative Impact on Asian Market Feared"]

[FBIS Translated Text] The one year and three month-long Japan-U.S. economic framework talks came to the end of a chapter. Tough negotiations were held between U.S. Trade Representative (USTR) Kantor, Foreign Minister Kono, and Hashimoto, international trade and industry minister, on such issues as whether or not objective criteria for trade sectors should be set. But the greatest "result" is that Japan and the United States shared the common sense to prevent bilateral relations from worsening. For the short run, the two sides came to the understanding that a possible rupture in negotiations would have a great impact on the dollar and yen exchange markets as well on the financial and investment markets. For the long run, they shared a view that maintaining Japan-U.S. cooperation in dealing with Asian affairs is important. It seems that from now on, cooperation between each other in dealing with Asian affairs will be the key to Japan-U.S. economic relations.

In the end, underlying their concerted action toward concluding the framework talks, was their stand of paying attention to their respective public opinions.

Speculators consider ambiguous agreements or a rupture in negotiations as signs to purchase yen and sell dollars. The two countries also needed to badly wrap up negotiations to prevent a sudden drop in the dollar's value and a rise in interest rates in the dollar market. Negotiators from the two countries were concerned about how the mass media and speculators would react to the negotiations' outcome. Before wrapping up the negotiaions, the U.S. Treasury Department conducted research on possible reactions by speculators.

On 26 September, judging there was a difference in position between the two countries, Mondale, U.S. ambassador to Japan, who used to express concern that a possible failure in trade negotiations would damage Japan-U.S. relations, expressed his determination to appeal to public opinion in Japan. On 2 October, the ambassador appeared on a TV Asahi interview program and on the NHK program "Good Morning Japan" on 3 October. It is reported that U.S. embassy officials were very careful about choosing a simultaneous interpreter "to prevent misunderstandings caused by poor interpretation."

In the face of the late September deadline for negotiations, Ambassador Mondale repeatedly called State Secretary Christopher, Rubin, National Economic Council (NEC) chairman, Treasury Secretary Bentsen, and USTR Kantor. Talking with them, Ambassador Mondale explained that when considering future relations with Japan, they must realize that those between the United States and China are more important than trade negotiations between Tokyo and Washington. The ambassador repeatedly warned: "If Japan-U.S. relations worsen, it will have an impact on U.S.-PRC relations." Paying attention to the rapidly expanding economy in China, the Clinton administration made corrections to its human rights-oriented policies, attaching more importance to expanding U.S. companies' market share in the Chinese market. However, China is also a military superpower, and its political system is not a democratic one. It is expected that Washington-Beijing relations will become more complicated. In this sense, if Japan-U.S. relations worsen, the United States' influence on China will weaken.

The White House and Tokyo have to maintain trustworthy relations. It is possible that negotiations on trade sectors will worsen Japan- U.S. relations. This is undesirable. The ambassador, during phone conversations with USTR Kantor, who had reportedly known the ambassador before Mondale became vice president, repeatedly made doubly sure that Kantor would reach a "fine agreement."

Meanwhile, in Washington, former Harvard University Professor Ezra Bogel, an expert on East Asian affairs and a member of the National Information Council, talked to White House officials one after another and stressed the necessity of Japan-U.S. cooperation. His opinion is that if the United States forces Japan to accept numerical targets or imposes sanctions, Asian nations' criticism against U.S. trade policies will grow, and the United States' influence at the Asia-Pacific Economic Cooperation forum will become weak.

The Japanese Government, for its part, has also paid greater attention to improving relations with Asian nations although the nature of its relations is different from that of the United States. After Japan and the United States agreed in July, 1993 to launch economic framework talks, key officials from the Foreign Ministry and the Ministry of International Trade and Industry [MITI] flew to Asian nations to hear their voices. During the visit, they were urged "not to set a precedent," feeling Asian nations are strongly opposed to Japan's possible acceptance of numerical targets that lead to managed trade. Although Japan has seen four prime ministers since the start of the economic framework talks, its stand on rejecting numerical targets has never changed. When the Republicans were in power, Japan, giving priority to relations with the United States, accepted the U.S. call for setting up near-numerical targets for the importation of semiconductors and autos and auto-parts. But this time, attaching importance to Asian nations, the Japanese Government has persistently said "No" to the United States.

After all, Tokyo and Washington have reached a compromise, with due regard to Asian nations.

The U.S. side is increasingly wondering whether or not the United States can cooperate with Japan in the huge Asian market, including China, under current Japan-U.S. economic relations. Commerce Undersecretary J. Garten said: "I would like to propose a discussion with MITI on the possible establishment of special rules to be applied to Japan-U.S. competition in the Chinese and Indonesian markets." Underlying his proposal is his judgment that Japan-U.S. friction in the Asian markets will have a more harmful impact on Japan-U.S. relations than the issue concerning U.S. companies' access to the Japanese market. It is still unclear whether Japan and the United States can tide over the long-debated issue of "opening the Japanese market." Although the possible economic dislocation was avoided for the moment, there is no clear indication that Japan-U.S. economic relations will take a steady direction.

Tokyo Shifts From Bilateralism to Multilateralism

OW0610044294 Tokyo YOMIURI SHIMBUN in Japanese 5 Oct 94 Morning Edition p 7

[Article by Yuichi Nosaka and Takashi Sakamoto from Washington; second in a series entitled: "The Japan-U.S. Framework Talks: An Accord Leaving Behind Future Bones of Contention": "The Best Opportunity To Shift to Multilateral Negotiations"]

[FBIS Translated Text] The U.S. trade strategy aimed at using "free trade" and "unilateral sanctions" alternatively has come to light in the latest Japan-U.S. economic framework talks.

Three days after Japan and the United States struck a deal in the framework talks, in his speech to a group of congressional and business leaders at the White House, President Clinton said: "America should promote free trade. America should also speedily ratify the Uruguay Round accord that will serve to expand job opportunities." The President was proud of himself as a leader of free trade when he emphatically made this appeal; U.S. Trade Representative Mickey Kantor stood beside the President.

Several hours after the President's speech, Kantor announced a unilateral step to list Japanese wood and paper as goods subject to trade sanctions slapped by the United States under the Super 301 Provision. Just two days earlier, he announced the application of presidential sanction measures on Japanese replacement auto parts under the Super 301 Provision.

The Uruguay Round has provided the World Trade Organization (WTO]—set to be inaugurated on 1 January next year—with the function of arbitrating bilateral trade disputes, and has banned unilateral trade sanctions. A diplomatic source in Washington said that if the United States invokes the Super 301 Provision while trying to speedily ratify the Uruguay Round accord, it will inevitably face criticism that "it uses the principle and the threat at gunpoint alternatively."

Needless to say, Japan, the European nations, and Asian nations are increasingly reacting against the U.S. trade policy of "using them alternatively."

Japanese Ambassador to France Koichiro Katsuura, who was in charge of the framework talks, secretly drummed up support from the French Government for Japan's stand in the talks in September, when the talks were in their final round. In Brussels where the European Union (EU) is headquartered, he increased sympathy for Japan by campaigning against U.S. trade sanctions.

Japan intends to win the understanding of Asian nations about its stand in the framework talks after explaining this at various preparatory meetings of the Asia-Pacific Economic Cooperation (APEC) scheduled to be held in November.

The United States slapped very limited trade sanctions against Japan out of fear that any full-fledged trade sanctions might trigger a sharp fall in the dollar's value against other major currencies and disrupt U.S. markets, and in the face of mounting criticism among Asian and European nations against its hardline stance in the framework talks.

Under this situation, Japan views the trade sanctions as the best opportunity to shift bilateral negotiations like the framework talks, to regionalism under which trade disputes in Asia are arbitrated in a global multilateral system like the WTO. There is no guarantee, however, that Japan's approach to diversified trade negotiations under regionalism and a global multilateral system will go as smoothly as it hopes.

First, Japan cannot easily free itself from the "yoke" of bilateral negotiations between Japan and the United States. There is a high possibility that in the latest negotiations, Japan went along with the United States on the latter's decision to list the replacement auto parts as goods subject to U.S. trade sanctions under the Super 301 Provision. The Japanese Government said it would take its case to GATT, but Chief Cabinet Secretary Igarashi soon backed down from this tough position, saying: "Japan will continue negotiations with the United States."

Second, the question is whether Japan has the eagerness and ability to actually display its leadership in the WTO.

A Korean, an Italian, and a Mexican have announced their bids for the post of WTO director general, but no Japanese has tried to take the post. An Asian diplomat in Tokyo sternly said: "It is unbelievable that an economic power like Japan has not backed its own candidate for the post. I have doubts about Japan's enthusiasm."

It is easy to advocate the "shift from bilateral negotiations to regionalism and a global multilateral system," but putting the shift into effect entails responsibilities. If Japan does not make efforts to cut its trade surplus by opening its market widely and relaxing regulations, it will be unable to win support from the rest of the world. Japan will need to clarify its attitude with actions.

Apologies for Remarks on U.S. Base Made

Murayama Apologizes

OW0510090394 Tokyo KYODO in English 0832 GMT 5 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 5 KYODO—Prime Minister Tomiichi Murayama on Wednesday [5 October] offered an apology for a top defense bureaucrat's remarks last month in which he called on people in Okinawa to accept the U.S. bases there.

Murayama said in a plenary session of the House of Representatives, "I regret the remarks, which have caused a lot of trouble."

Defense Agency Director General Tokuichiro Tamazawa told the Diet session that he has told Noboru Hoshuyama, director general of the Defense Facilities Administration Agency, to retract the remarks, which touched a raw nerve in Okinawa.

Hoshuyama said during his visit to Okinawa in early September that Okinawans should learn to live in "coexistence and symbiosis" with U.S. Military bases there.

The remarks drew angry reactions from the Social Democratic Party's [of Japan] Okinawa prefectural headquarters and pacifist resident groups in Okinawa, where many citizens were killed in battles between the Japanese military and U.S. Forces toward the end of World War II.

Antimilitary feelings have accordingly been particularly strong in Okinawa in the postwar period, and there have been calls for the withdrawal of U.S. Forces from the island.

The U.S. Military bases accounts for 20 percent of the land on the main Okinawa island.

The SDP's Okinawa chapter and the pacifist groups have demanded the resignation of Hoshuyama.

Murayama and SDP Secretary General Wataru Kubo agreed on Tuesday that Hoshuyama need not step down if he holds a press conference to apologize for the remarks and in part withdraw them.

DFAA Chief Apologizes

OW0210055694 Naha RYUKYU SHIMPO in Japanese 1 Oct 94 Morning Edition p 1

[FBIS Translated Text] Tokyo—Noboru Hoshuyama, director general of the Defense Facilities Administration Agency [DFAA], held a news conference at the agency on the afternoon of 30 September and spoke about remarks he made while visiting Okinawa last month. The part of his remarks saying "(the Okinawa people) should learn to coexist and live together with military bases" has brought about great repercussions from the people of Okinawa.

Referring to the controversial part of the remarks, he said: "The part on coexisting and living together has been interpreted as having meant to say the Okinawan people should actively accept the military bases as they are, and thus has invited misunderstandings. My remarks did not properly take into consideration the feelings of the prefectural people." He thus formally expressed the intention of canceling the controversial part of his remarks. Hoshuyama reported this intention to Defense Agency [DA] Director General Tokuichiro Tamazawa, and later told reporters, "I received the impression he agreed to it."

But DA chief Tamazawa is supposed to have also said that "the matter is being discussed within the ruling parties, and it will take a little time for a conclusion to be arrived at. Tamazawa apparently indicated that Hoshuyama should wait for the completion of the discussions before he makes a formal announcement on the retraction of the remark."

Within the ruling camp, particularly the Social Democratic Party of Japan, there are many who think "only retracting the part of the remarks is not good enough." Obviously the issue is far from being resolved.

At the opening of the news conference, Hoshuyama apologized once again, saying: "I am sorry that my remarks caused such a problem." Then he revealed he had a talk with DA chief Tamazawa on the issue earlier in the day.

Hoshuyama until then had insisted there were misunderstandings on what he meant in his remarks. Asked about the sudden change in the position toward retracting a part of the remarks, he said: "I have studied the issue since 26 September when I had a meeting with a delegation of the Okinawa Prefectural Assembly." Relating to the retracted part in the remarks, he said: "What the Prefectural Assembly wanted retracted was essentially this part on coexisting and living together. This was the part which showed a lack of understanding of the feelings of the local people, who have been pushing so hard for programs to readjust and merge the military bases on Okinawa."

When pointed out that DA chief Tamazawa and the ruling parties have been asked to find a solution to the issue, he admitted that "my remarks brought about repercussions and turned into a political issue." Asked if he could be thinking about visiting Okinawa again to explain what he really meant, he replied, "I am not prepared."

Sales of Imported Vehicles Jump 52.3 Percent

OW0610031594 Tokyo KYODO in English 0258 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Sales of imported motor vehicles continued to rise in September, shooting up 52.3 percent from a year earlier to 29,920 units, the Japan Automobile Importers Association said Thursday [6 October].

September was the 11th consecutive month in which sales of imported cars, trucks and buses rose from year-earlier levels, the association said. Overall domestic sales of new motor vehicles in September, including imports, totalled 501,662. Imports represented 5.96 percent of the total.

Sales of imported passenger cars alone climbed 44.0 percent to 27,453 units, buoyed by strong sales of both compact and larger models. Sales of compact passenger cars or those with an engine displacement of between 661 cc and 2000 cc rose 7.4 percent to 7,382 units, while those of larger passenger cars soared 64.6 percent to 20,071 units.

Sales of vehicles imported from Japanese factories abroad, mostly passenger cars, skyrocketed 197.6 percent to 9,670 units, accounting for 32.3 percent of the imports. Sales of imported trucks, including sports utility vehicles such as the popular jeep Cherokee, soared 333.0 percent to 2,464 units. There were three imported buses sold in the month. No imported buses were sold in the same month last year.

Toyota To Import, Market U.S.-Made Avalon Cars

OW0610055294 Tokyo KYODO in English 0540 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Toyota Motor Corp. said Thursday [6 October] it will import for the domestic market its new large-sized passenger car, the Avalon, which is entirely produced at its U.S. unit.

The car will be available through 1,085 Toyota dealerships nationwide from mid-1995, it said. The automaker said the price for the model will be announced at the time of its debut in Japan, but a spokesman said the price will be somewhat similar to the U.S. market price.

The 3000 cc, four-door sedan is both developed and assembled at Toyota Motor Manufacturing, U.S.A. Inc. in Georgetown, Kentucky. The Avalon XL model is listed on the U.S. market for 22,758 dollars while the list price of the XLS model is 26,688 dollars, according to reports from New York.

Views Concerning SDF's Rwandan Mission Reported

Divided Opinions on Mission

OW0510025794 Tokyo YOMIURI SHIMBUN in Japanese 3 Oct 94 Morning Edition p 2

[FBIS Translated Text] The first contingent of Self Defense Force [SDF] units on a mission to aide Rwandan refugees arrived at its base in Goma, Zaire on 2 October. Meanwhile, a disparity in views has started to surface between the Ministry of Foreign Affairs [MOFA] and Defense Agency [DA] on the criteria for deciding on the timing of a withdrawal, when local public security has deteriorated. The disparity has arisen because, while MOFA intends to indicate Japan's positive approach toward making international contributions to win permanent membership in the UN Security Council, the DA attaches importance to security based on "its standpoint as the agency forced to send its personnel." It is most likely this issue will become the major topic of the current Diet session, and Prime Minister Tomiichi Murayama will be forced to make a difficult political decision while taking the situation in Zaire into consideration.

In discussing the issue of SDF withdrawal, many have indicated that the point at issue lies in the fact that no clear criteria have been set.

In the cases of Peacekeeping Operation [PKO] activities in Cambodia or Mozambique, it is stated in the "operational guidelines" that SDF units will withdraw when it is considered that the truce agreement has been broken. For example, "an outbreak of large- scaled armed conflict." However, since the current mission has been decided as "an international humanitarian relief activity" based on the PKO Cooperation Law, it is different from other PKO activities for which several conditions are set for Japan's participation. For example, a ceasefire agreement must be reached first. Therefore, no criteria have been set for withdrawal in the case of a deterioration in the public security situation.

Thus, "it is crucial to decide what measures should be taken to judge the actual social security situation" as stated by a MOFA source. But there is a great gap between MOFA and the DA on this point.

At the liaison committee on information held on 26 September, a DA representative maintained the "situation in public security has further intensified," while a MOFA representative insisted "the situation as a whole is calm despite the increasing cases of general crime." They eventually ended up leaving everything to Secretary General Katsuya Suzuki of the International Peacekeeping Cooperation Headquaters, who made a decision that was close to MOFA's view.

A difference also exists between the two sides on the issue of withdrawal timing. Based on the operational plan, the units are scheduled to stay in Zaire for about three months until 31 December. Originally, MOFA requested a six-month mission, but later agreed with the DA and Social Democratic Party of Japan (SDPJ). They claimed: "The longer the mission, the greater possibilities there are for accidents to happen." That is why DA Director General Tokuichiro Tamazawa clearly stated: "The units will withdraw after remaining there for three months."

However, when the ruling coalition's fact-finding mission submitted its report to the prime minister on the day before the decision on the SDF dispatch plans was made at a cabinet meeting, it was stated in the report that "the mission will be sent for three months for the time being," and "the issue will be reviewed depending on future developments." MOFA, which strongly wants to the mission extended, takes the stance that no decision has been made on the issue of extending the mission. A top MOFA official said: "The decision on extension of the mission will not be made until the scheduled mission comes to an end." Coordination on this issue is sure to meet with difficulties.

The current SDF mission is different from a PKO operation under UN command. Therefore, "all decisions on the timing of withdrawal or measures to ensure safety must be made by the mission independently" as stated by a DA source. Thus, the government will continue to face difficulties in deciding to follow either the concept of "making positive contributions to the international community" or the idea of "giving priority to security."

Tamazawa on SDF Withdrawal

OW0210061694 Tokyo KYODO in English 0547 GMT 2 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 2 KYODO—Defense Agency Director General Tokuichiro Tamazawa said Sunday [2 October] that Japan's Self-Defense Forces (SDF) personnel assisting Rwandan refugees in Zaire will be withdrawn if the civil war in Rwanda spreads to Zaire.

Speaking in an interview on TV ASAHI network, Tamazawa said the SDF contingent helping Rwandan refugees in Zaire would also be withdrawn if their neutrality was in danger of being compromised or if Zaire say they are no longer required.

On Sunday, the first 100-member group of a Ground Self-Defense Force (GSDF) contingent to take part in a UN mission to help Rwandan refugees in Goma, Zaire, was due to arrive in Goma.

A total of 470 SDF personnel and 10 officials will take part in the UN peacekeeping operations for three months, mainly providing Rwandan refugees with medical support, water supplies and measures to prevent epidemics.

But clashes between Zairean troops and Goma residents are contributing to a deterioration in security in the area where the Japanese will be based.

Until now, Tamazawa has said that the SDF personnel would be withdrawn if there is an outbreak of hostilities, but it is the first time he has said they would be withdrawn if Rwanda or Zaire say they are no longer needed.

Asked how the SDF personnel should respond if members of nongovernmental organizations and refugees are attacked by Zairean troops or other forces, Tamazawa said the SDF members' responsibilities do not extend as far as policing.

"But if they see lives put in danger right in front of their own eyes, then as human beings it is a question of conscience and courage," Tamazawa said. "Naturally they will help."

Tamazawa avoided stating whether the SDF personnel should use their weapons on such an occasion.

It is the first time SDF personnel have been dispatched overseas for humanitarian purposes under Japan's UN Peacekeeping Cooperation Law. Japan has sent SDF troops to Cambodia and Mozambique to participate in UN peacekeeping operations there.

Russian Sinks Fishing Boat Off Kuril Islands

OW0510113094 Tokyo KYODO in English 1107 GMT 5 Oct 94

[FBIS Transcribed Text] Sapporo, Oct. 5 KYODO—Russian Coast Guards opened fire at and sank a Japanese fishing boat off four Russian-held islands [Kurils] claimed by Japan Tuesday night, Maritime Safety Agency officials said Wednesday.

The guards opened fire at the vessel, the Horai Maru No. 68, in waters near Shikotan Island. Yuichi Asai, 31, skipper, and two other crew members were taken to the island after being rescued by the Coast Guard vessel, the officials said. No injuries were sustained among the three crew members, they said.

The Russian side informed the agency of the incident Wednesday afternoon, the officials said. The Russian Coast Guards opened fire at the boat after issuing a warning.

The Horai Maru No. 68 belongs to a Habomai fishing cooperative of Nemuro, eastern Hokkaido.

Some other boats that were fishing in the area together with the Horai Maru No. 68 returned as scheduled early Wednesday, they said.

Moscow, which has called for a commercial fishing agreement with Japan, is increasingly cracking down on Japanese fishing boats operating off the disputed islands, known in Japan as the northern territories.

The islands—Kunashiri, Etorofu, Shikotan and the Habomai group of islets—were seized by the former Soviet Union at the end of World War II. Tokyo has so far rejected concluding a fisheries treaty out of fear it might be interpreted as an acknowledgement of Russian sovereignty over the territory.

Tokyo Ready To Send Aid to Kuril Islands

OW0510094494 Tokyo KYODO in English 0908 GMT 5 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 5 KYODO—Japan expressed readiness Wednesday [5 October] to provide humanitarian assistance to those who suffered on the disputed Russian-held islands [Kurils] north of Hokkaido from the big earthquake Tuesday night.

"From the humanitarian point of view, we are ready to give them assistance," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

The top government spokesman said although there was so far no request for assistance from Moscow, Japan and Russia will begin consultations on the matter.

The earthquake, with a magnitude of 7.9 on the Richter scale, jolted an extensive area of northern Japan and a chain of islands north of Japan. Among the islands hit were the four Russian-held islands—Etorofu, Kunashiri, Shikotan and the Habomai group of islets.

Reports from Moscow said at least nine people were killed on the Kuril islands. Unconfirmed reports said as many as 16 Russian islanders were feared to have died in the earthquake, aftershocks or tsunami.

Japan has long demanded the return of the four islands, which the former Soviet Union seized at the end of World War II.

Business Seminar for Israel, Palestine Planned

OW0510142494 Tokyo MAINICHI SHIMBUN in Japanese 4 Oct 94 Morning Edition p 9

[FBIS Translated Text] On 3 October, the Ministry of International Trade and Industry [MITI] decided to offer policy know-how to Middle Eastern countries that want to promote smaller businesses. The decision was made in response to a historical reconciliation between Israel and the PLO in the fall of 1993. As a tangible measure, MITI will invite 10-15 officials from Middle Eastern countries, including Israel and Palestine, and hold a seminar on Japan's policies to assist smaller businesses. As smaller businesses with high technology greatly contributed to the economic growth of postwar Japan, MITI thinks its policy seminar can boost the participant countries' economies.

The policy seminar participants will be invited through the Japan International Cooperation Agency (JICA). The two-week seminar, intended for division chief-level officials, will accept two to three officials from each participant country, such as Israel, Palestine, Jordan, Egypt, Saudi Arabia, and Kuwait. This would become Japan's first program participated in by both Israel and Palestine.

In the seminar program, MITI will lecture on key factors of Japan's smaller business policies, such as subsidies, low-interest loans, and preferential taxation. Field trips to local companies will be incorporated into the program. In view of actual business trends in the Middle East, the MITI program will focus on measures for promoting tourism and handicraft industries.

MITI intends to hold the seminar every year, gradually upgrading the support program for each country. In the Naples summit in July, the Group of 7 declared their stance to attach importance to economic assistance to the Middle East. In this regard, MITI plans to assist the region's smaller businesses making the most of official development assistance (ODA) programs in cooperation with the Foreign Ministry.

Wrangling With PRC Over Taiwan Issue Observed

OW0510051194 Tokyo EKONOMISUTO in Japanese 11 Oct 94 p 18

[FBIS Translated Text] The wrangling among China, Taiwan, and Japan over the attendance at the Hiroshima Asian Games by Taiwan leaders was settled for the present at a Sino-Japanese foreign ministerial meeting held in New York on 26 September. China decided to send athletes, but in protest suspended a visit to Japan by a high government official, State Councillor (with the rank of Vice Premier) Li Tieying.

However, the recent friction among Japan, China, and Taiwan is only a prelude. What really matters is the APEC [Asia Pacific Economic Cooperation Conference] summit to be held in Osaka in fall next year.

The APEC summit will be attended by not only President Clinton of the United States, but also presidents and ministers from the Asia Pacific region. As both China and Taiwan are APEC member nations, the host country, Japan, cannot help sending a letter of invitation to President Li Teng-hui of Taiwan as well as to President Jiang Zemin of China. However, China is adamantly opposed to President Li Teng-hui's attendance at the summit. On the other hand, Taiwan ardently wants President Li Teng-hui to attend in order to win international recognition.

It is quite evident that the Japanese Government, which has to make a necessary adjustment between the two nations, will be drawn into the vortex of a political dilemma which cannot bear comparison to that of the current Asian Games. In a way, attendance at the Asian Games by Taiwan leaders is a preparation for APEC.

Taiwan Is on the Offensive

During the lunar New Year vacation in February this year, President Li Teng-hui initiated "vacation diplomacy" by paying an "unofficial visit" to the principal Southeast Asian member nations of APEC, such as Indonesia, Thailand, and the Philippines. Each nation has a diplomatic relationship with China and is not supposed to have governmental exchanges with Taiwan, but the head of each nation "unofficially" received the supreme leader of Taiwan who was on "vacation." President Li Teng-hui's meeting with President Suharto of Indonesia, which will be host to this year's APEC, is considered to have been held in compensation for President Li's abstention from forcing the issue of his attendance at an APEC summit to be held in Indonesia. China was very wary of the meeting between President Li Teng-hui and President Suharto, taking it as a move toward the independence of Taiwan, and made a protest.

The next target of Taiwan's diplomacy was Japan. President Li Teng-hui secured an invitation to attend the Asian Games in Hiroshima from President Ahmad of the Olympic Committee of Asia, who visited Taiwan in May. Ultimately, President Li Teng-hui's visit to Japan was canceled. However, it is said that Taiwan took into consideration China's opposition and Japan's resistance, and as a last resort, decided on the realization of a visit by Hsu Li-te, vice president of the Executive Yuan. The reason behind this is that, raising the rank of officials acceptable for entry to Japan to vice premier—Japan insisted it has to be below the rank of economic minister—will be better preparation for the next step. Furthermore, public opinion in Taiwan, in opposition to China's high-handedness, has come to show a stronger tendency toward independence.

Now Taiwan is prepared to send Lien Chan, president of the Executive Yuan (with the rank of premier) to the upcoming APEC summit in Indonesia, and Taiwan and China are glaring at each other. APEC in Indonesia will be followed by next year's APEC in Osaka. It is inevitable that China will pursue a rollback policy, and the Japanese Government will be forced to take increasingly difficult measures.

Taiwan's Hsu Interviewed

OW0510144294 Tokyo YOMIURI SHIMBUN in Japanese 4 Oct 94 Morning Edition P 2

[FBIS Translated Text] Hsu Li-te, vice president of the Executive Yuan (equivalent to Vice Premier) who is currently visiting Hiroshima, granted an interview to YOMIURI SHIMBUN on the evening of 3 October. Touching on Taiwan's relations with Japan, he stated: "It is simply beyond my understanding why no contacts have been made between high-ranking officials in consideration of the significance of the Japan-Taiwan relations." In this way, he disclosed Taiwan's intention to promote further contacts between high-ranking officials. Moreover, he indicated that efforts will be made to make it possible for President Li Teng-hui to attend the Asia-Pacific Economic Cooperation (APEC) forum scheduled to be held in Osaka next year.

As for the purpose of his Japan visit, Vice Premier Hsu stressed: "Some people will naturally regard my visit to Japan as bearing political significance but I am here simply to attend the Asian Games." However, he pointed out that "the total number of people exchanging visits between our two countries has reportedly reached 1 and ½ million a year." Then, he stressed the need to strengthen Japan-Taiwan relations through such efforts as contacts between government officials.

In addition, on Japan's taking cautious stance on the issue of [Taiwan officials'] Japan visits, he requested that "since Japan has become a world economic power and a country capable of assuming major responsibility in the political field, it should try to settle this issue based on a long-term perspective."

Meanwhile, touching on China's strong protest against his attendance at the Asian Games in Hiroshima, he indicated his concerns and said: "There is no denying that not only the Qiandao Hu incident (in which many Taiwanese tourists visiting Mainland China were killed last spring), but also China's protest against his Japan visit have adversely affected relations between Mainland China and Taiwan." Then, he added: "When taking the overall situation into consideration, there will be no major changes in our policy toward Mainland China. However, I cannot say definitely that minor changes will c:p+bldrive.pm g:be made in phases." Thus, he hinted at the possibility of making small-scaled changes in the policy.

Touching on the issue of Taiwan's bid for sponsoring the 2002 Asian Games, which is opposed by China, Vice Premier Hsu stated Taiwan's positive stance, and said: "Truly, it is difficult to select either Taipei or Kaoshiung as the candidate city for the Asian Games. However, the decision on the candidate city will be decided within a short period of time. And, we would like to appeal to the nations concerned that our preparations are already in progress now."

Hsu Ends 'Sports Diplomacy'

OW0610085594 Tokyo KYODO in English 0831 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Taiwanese Deputy Premier Li Hsu-te concluded Thursday [5 October] a six-day visit to Japan, where he attended the opening ceremony for the Hiroshima Asian Games and met pro-Taiwan Japanese legislators despite ardent protests from China.

With Hsu's return to Taipei, gone are the concerns in the Japanese Government over the unofficial stay being exploited to boost Taiwan's political profile.

Tokyo still must mend fences with Beijing, which will not quickly forget that Japan's granting of an entry visa to the Taiwanese leader provided him with a stage for "sports diplomacy."

During a reception at the games, Hsu, the highest-ranking Taiwanese politician to visit Japan since Tokyo switched diplomatic recognition from Taipei to Beijing in 1972, briefly chatted with Education Minister Kaoru Yosano.

Hsu, who came to Hiroshima in his capacity as chairman of Taiwan's Bidding Committee for the 2002 Asian Games, also met Antonio Samaranch, president of the International Olympic Committee (IOC), and high-ranking delegation members of several countries.

He further infuriated Beijing, which considers Taiwan a rebel province, when he met several Japanese legislators at a welcoming party in Tokyo earlier this week.

By tolerating such activities, Tokyo has actually upgraded ties with Taipei, Beijing argued, threatening retaliatory measures for what it denounced as a "conspiracy" to undermine the principle of "one China."

Earlier Thursday Hsu called off a news conference and stuck to nonpolitical activities, including a visit to Tokyo Disneyland, apparently to avoid deepening the rift between Japan and China.

He told Taiwanese reporters Wednesday that his visit helped "to demonstrate the presence of Taiwan, along with the value of its presence."

Education Minister Kuo Wei-fan, who accompanied Hsu on his trip, said at a Tuesday dinner that the visit has "opened the door" to full normalization of ties with Japan.

Export-Import Bank To Extend Untied Loan to IMF

OW0510122794 Tokyo KYODO in English 1048 GMT 5 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 5 KYODO—The Export-Import Bank of Japan said Wednesday [5 October] it has signed an agreement to extend an untied loan to the International Monetary Fund (IMF) with an aggregate principal amount not exceeding 2.15 billion special drawing rights (SDRS). The loan, worth about 3.2 billion U.S. dollars, will provide part of the lending resources for the enhanced structural adjustment facility of the IMF.

The facility, currently with resources of 5.1 billion SDRS, provides assistance to low-income countries undertaking macroeconomic adjustment programs to improve their balance of payments position.

The latest agreement, which represents the largest share of contributions among the lenders, is in line with the decision by the IMF to double the resources for the facility by 5 billion SDRS.

The Export-Import Bank of Japan provided an untied loan of 2.2 billion SDRS to the facility in 1988.

Increase in Government-Funded Yen Loans Urged

942A0760A Tokyo ASAHI SHIMBUN in Japanese 30 Sep 94 p 5

[Editorial: "Government Urged To Increase Yen Loans That Reach People"]

[FBIS Translated Text] Japan and Thailand signed an agreement this week for a 7.8 billion yen loan. The funds will be used for the construction of buildings and the installation of teaching equipment at 20 occupational junior colleges.

The loan reflects a major change. When one mentions yen loans, one visualizes huge projects where several tens of billion yen are poured into projects for the construction of dams and roads in developing nations. This time around, funds destined for each school are limited, but the goal is to aid human-resources development, which used to be handled as grant-aid funds.

The shift of yen loans away from industrial infrastructure projects like electrical power plants and transportation facilities to projects that are more consistent with the needs of the inhabitants of the recipient nations, such as those related to the environment, life-support systems, medicine, and education, is a favorable trend. We should emphasize aid that corrects such distortions as urban slums and environmental pollution created as the result of the promotion of growth and growth itself, rather than the acceleration of development in Asian nations which continue to record sharp growth rates.

However, making such a change would face limits under the framework of yen loans, which are currently biased towards industrial infrastructure projects in developing nations. It will be indispensable to relax conditions so that new loan sectors can be expanded and to substantially increase aid specialists.

The environment for yen loans, which are the mainstay of government official development assistance (ODA), has changed substantially. Huge development projects that are accompanied by the relocation of residents and the destruction of the environment are unpopular among the natives. In East Asian nations, capital needed for urban development is no longer dependent on yen loans and can now be accommodated by abundant private-sector capital from advanced industrialized nations.

Additionally, there is the problem of a strong yen. Even if interest rates are somewhat lower than that which is payable for private-sector capital, the appeal of yen loans will diminish because any advance in the value of the yen will increase the repayment liability of the borrower.

The government, which seeks a quantitative expansion of ODA, faces a dilemma in that the time has come for widespread repayment of past yen loans. Even if new grants are increased, repayments will restrain any net increases in the overall ODA program.

The current increase in the number of nations seeking rapid conversion to market economies such as China and Vietnam will probably preclude a major near-term decline in yen loans, but there will probably be a slowing in the growth rate. Future yen loans should not emphasize the quantitative factor, but should be targeted to public welfare sectors where private-sector funds are not available because of poor investment returns.

As an example, ODA should target pending environmental projects, which are subject to delays, and consideration should be given to loans that provide lower interest rates and longer repayment periods than those offered in normal loan packages. Water supply and agricultural development projects for poverty-stricken South Asian and African countries will require significantly favorable interest rates.

The problem is that the capital costs of the Overseas Economic Cooperation Fund (OECF), which serves as the administering agency for yen loans, are relatively high and that the OECF is unable to relax the loan conditions. The fiscal authorities are diverting interest-bearing fiscal investment and loan program funds as funds for use in the yen loan program to the degree possible to restrain spending under the general account budget.

It is only logical that fiscal prudence is exercised in aid programs, but if it comes to a situation where an aid agency is unable to discharge its basic mission, then it is a case of having lost sight of our primary goals. We need to devise ways by which we can provide for increased funding of ODA under the general account budget.

Fine-tuned loans for environmental and human resources development projects require only minor funding on an individual program basis, and require significantly more personnel to administer the programs. There is probably a need to revise the staffing of the OECF administering system, which has been accustomed to handling large projects with small numbers of people.

This year marks the 40th year since Japan started its aid programs in 1954. The Ministry of Foreign Affairs used its ODA white paper for this year to review its past aid programs and pay tribute to the major role played by yen loans in launching economic growth in the East Asian nations. Yen loans had a definite effect on stimulating the self-help efforts of the recipient nations, but the loans are now facing a turning point.

It is time for yen loans to be redirected substantially away from industrial sectors to the social and life-support sectors.

Global Securities Regulators To Set Guidelines

OW0510101594 Tokyo KYODO in English 0900 GMT 5 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 5 KYODO—Global securities regulators will compile a set of international guidelines on derivatives and other advance transactions when they gather in Tokyo for a week from Oct. 16, Japanese officials said Wednesday [5 October].

The guidelines will cover disclosure and risk management methods to protect investors in the globally spreading off-balance derivative market, the Finance Ministry officials said, requesting anonymity.

One official told KYODO NEWS SERVICE that disclosure rules will also be set on spreading off-exchange computerized stock trading among institutional investors in the United States, featuring mandatory reporting of transactions to authorities and regular disclosure of traded stocks and amounts.

Financial derivatives are such off-balance products as swaps, futures and options used to hedge credit risk.

The computerized curb stock market, known as "screen-based trading," works under on-line computer systems linking institutional investors through telecommunications network held by news agencies, with orders settled automatically between participating investors to allow unlimited trading time and low costs such as no brokerage commissions.

With no clear rules currently set on the two advanced transactions, regulators are having difficulties in grasping situations accurately, with concerns spreading that speculative investment may cause unnecessary volatility on official exchanges and also lead players to incur heavy invisible losses.

Discussing international securities transactions, some 800 officials from 100 regulatory bodies from 64 countries and two regions will gather in Tokyo for the weeklong meeting under the International Organization of Securities Commissions (IOSCO), the officials said.

A joint statement, including the guidelines, will be issued on the final day, the officials said.

This will be the first yearly general meeting to be held in Asia for IOSCO, an international body established in 1983 for global cooperation in securities markets.

Japanese members include the Finance Ministry, the Securities and Exchange Surveillance Committee, the Tokyo Stock Exchange and the Japan Securities Dealers Association.

Three IOSCO commission, working separately on specific areas of securities transactions, have already compiled reports, with the technical commission announcing in late July a first-ever international guideline on risk management in derivatives.

The guideline calls on regulators to promote risk management under a self-responsibility principle by securities firms instead of restricting or beefing up regulations.

It was issued in conjunction with a similar banking-version guideline compiled by the Basel Committee on Banking Supervision under the Bank for International Settlements.

The Japanese officials said the yearly IOSCO meeting is held to combine the three committees, and their reports will be compiled into a joint press communique.

The meeting will cover closed-door discussions based on the reports and panel discussions—both centering on derivatives, disclosure and regulations on secondary markets, they said.

The panel will also discuss "emerging markets" led by Asia.

Financial Sector To Introduce 'New Services'

OW0510142894 Tokyo KYODO in English 0948 GMT 5 Oct 94

[FBIS Transcribed Text] Osaka, Oct. 5 KYODO—Private financial institutions will introduce an array of new services and vehicles as interest rates on liquid deposits will be liberalized from Oct. 17, banking sources said Wednesday [5 October].

Some smaller institutions plan sharp increases in interest rates in a bid to lure depositors amid intensifying competition, particularly with postal savings offered by post offices.

Johnan Shinkin Bank based in Tokyo and Hakko Shinkin Bank in Osaka will raise their interest rates on demand deposits by 0.5 percentage pointcondition that depositors receive salaries and pay public charges through the accounts they have opened at the banks.

Osaka City Shinkin Bank, based in Osaka, also will boost the demand deposit rates by 0.5 point unconditionally.

The nation's 11 major commercial banks are competing in boosted services rather than in yields.

Sumitomo Bank has introduced free counseling services on deposits and loans, while Sanwa Bank plans to distinguish interest rates according to the balance of deposits. But these "city banks" seem unwilling to raise interest rates like smaller institutions, in view of resulting cost increases, the sources said.

Easier Regulations Urged on Derivatives Deals

OW0410133994 Tokyo KYODO in English 1302 GMT 4 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 4 KYODO—A securities industry group called Tuesday [4 October] for deregulations on Japan's rapidly growing markets for financial derivatives.

The conference for securities associations said in a report that derivative transactions have the potential of developing into an important source of income for Japanese brokerage houses in the future. But current legal restrictions have kept brokerages from offering a greater variety of vehicles, the conference said, urging easier controls on the markets.

At the same time, the conference, which groups the country's five securities industry associations, said brokerages need to be better prepared for risks involved in derivative trading and to disclose more information on such transactions. Financial derivatives are advanced off-balance instruments such as swaps and options used to hedge credit and currency risks.

The global balance of derivatives is estimated to have grown to 17 trillion dollars in terms of principal at the end of 1992, about three times more than the U.S. gross domestic product (GDP). The report said the fast growth of the derivative markets reflects the increasing need to hedge against investment risks and expanding international financial transactions.

Banks Set Up Derivative Risk Management Offices

942A0761A Tokyo SANKEI SHIMBUN in Japanese 28 Sep 94 p 11

[Unattributed article: "Increased Derivative Transactions, Financial Institutions Implement 'Serious' Risk Management, City Banks Establish Derivative Office"]

[FBIS Translated Text] Moves are taking place among financial institutions to establish independent "risk management offices" in response to the expanded trading of derivatives among individual investors. The moves were motivated by the assessment that it was necessary to build a system for taking measures against risk, because of the prevalence of indeterminate elements in transactions involving derivatives such as their tendency to exacerbate fluctuations in foreign exchange rates. The Bank for International Settlements (BIS) has encouraged stronger self-control measures and has issued risk management guidelines, and the respective financial institutions have adopted such proposals aggressively.

City banks that have established risk management offices include Dai-Ichi Kangyo Bank and Tokai Bank. Tokai Bank consolidated risk management functions that were formerly performed in the Foreign Exchange and Bond Trading Departments into a "Risk Management Office" on 26 September. Dai-Ichi Kangyo Bank established the "Funds Management Office" at the end of last month with the same objective.

The Long-Term Credit Bank of Japan has already separated the Market Planning Department from the Market Operations Department and has combined risk and profit management operations.

A similar series of moves is spreading to the major securities firms, city banks, and long-term credit banks. The Regional Banks Association of Japan is studying the feasibility of operating a joint risk management activity in the future for the benefit of regional banks which engage in derivative trading only on a rare occasion.

The "Risk Management Guide" issued by the BIS and the International Organization of Securities Commissions (IOSCO) provides that: 1) Risk management departments will be established separately from derivatives trading departments from the standpoint of the self-accountability rule of financial institutions. 2) Risk exposure for three-month foreign exchange options will be calculated daily, based on current foreign exchange rates, to prevent the worst possible situation of insolvency. Each financial institution has opted to comply with these rules to avoid exposure to risks.

As of the end of 1992, derivatives trading on a global basis is said to have reached $10 trillion; the overwhelming portion of such trading took place in Europe and the United States where deregulation has reached the advanced stages. In recent times, there have been cases where large losses have been accumulated through so-called "resistance operations" wherein profits are sought by assuming risks, which are separate from the original function of using derivatives for risk avoidance. Japanese financial institutions in the past have hardly implemented risk management in the strict sense and as indicated by city bank leaders saying, "I have no understanding of derivatives," management's response to derivatives trading reflects a high degree of negligence.

Although Yoshimasa Nishimura, director of the Ministry of Finance [MOF] Banking Bureau, states that the Bank of Japan "has no intention of regulating derivatives trading in the near term," it may initiate regulations unless banks establish management systems. In order to avoid giving the MOF an excuse for launching controls, one official of a city bank states, "We cannot avoid new investments on the scale of several billion yen for equipment such as computers," and has initiated actions to build risk-avoidance organizations and to make capital investments.

Authorities Who Seek Ways of Braking Excessive Derivatives Trading

Individual Guidance To Maintain Safety

Currency and monetary authorities of advanced industrialized nations have launched surveillance to include fact-finding surveys relative to derivatives trading in futures and swaps. The reasons are the indefinite circumstances of derivatives trading and the fear of the effects they will have on the overall financial system, in the midst of the sharp global expansion of such trading. Derivatives trading balances grew sharply after 1986 and had grown tenfold to a total of $10 trillion as of 1992. The reason is that trading in derivatives is possible as off-balance-sheet transactions at banks, and trading can be expanded without augmenting equity capital.

Congressional sources and monetary authorities in countries such as the United States are increasingly calling for regulation because derivatives trading is not reflected in accounting records, records of trades are difficult to verify, and pose the potential for creating an upheaval in the financial systems. Draft legislation has been submitted to the U.S. Congress seeking regulation of derivatives trading.

However, mainstream banking surveillance authorities such as central banks and government agencies of the advanced industrialized nations have taken a negative stand concerning regulation. According to the MOF, the perception is strong that "deregulation of financial transactions is a global trend and incomplete controls will function to distort markets." Further, according to Bank of Japan Governor Mieno, derivatives "are very effective for risk-avoidance purposes," and if speculative trading is restrained, there is the danger of impairing their risk-avoidance function.

However, corporations have begun to appear in various nations which have recorded huge losses owing to misguided derivatives trading and a consensus has been formed that "certain restrictions are necessary" to preserve the stability of the financial system. The current thinking about such restrictions seeks a method by which risk management functions in the individual financial institutions are supervised, rather than a form whereby trades are directly regulated.

The Bank of Japan has asked that monthly operating reports from financial institutions include information on derivatives trading as a basis for performing an analysis of the situation.

Banks' Difficulties Disrupting Financial System

942A0676A Tokyo KANKAI in Japanese Aug 94 pp 154-160

[Article by Kankai editorial board: "Financial Difficulties of Regional Banks Rocking Financial System: "Monetary Policy Walking Tight Rope, Shadows Cast on Survival of Regional Banks"]

[FBIS Translated Text] *As consumption regains vitality and signs of a business recovery pick up, a bright mood returns to society. Bad debts of financial institutions that were said to be a drag on Japan's business is considered to have passed the peak as far as their incidence on a city bank base is concerned, and an optimistic outlook is held. However, it is difficult to find a clue to the solution of the bad debt problem among the small-and-medium financial institutions due to their weak management base. Furthermore, the disposition of the housing loan companies that were established with the backing of the Ministry of Finance [MOF] and are still holding huge amounts of bad debts totalling more than 10 trillion yen is left to their own fate. What is feared is that, in view of the priority support* *given to the financial industry in terms of financial policy, the policy-making authorities may choose to ignore the possibility of inflation which could forestall policy implementation. Under the extremely low official discount rate of 1.75 percent, money without clear purpose waits for speculators. The skyrocketing Asian stocks are blamed on Japan money with no place to go. 'Softlanding' is a synonym for evasion of responsibility. In order to restore a healthy Japanese economy, should not the MOF and the Bank of Japan [BOJ] clarify their responsibilities and administer a rough cure to the financial circles?*

Gimmicks of Bad Debts Seldem Seen on the Surface

The bad debt problem of major financial institutions such as city banks are said to have "passed the critical point" (a major city bank) from the standpoint of amount of bad debts. The March 1994 settlements of the city banks, long-term credit banks and trust banks have been completed, and it is reported that total bad debts for 21 banks as of the end of March 1994 was 13.57 trillion yen, a 1.3-percent drop from the end of September 1993, which is a downturn overall albeit slightly.

Seen by categories, the bad debts for 11 city banks totaled 8.97 trillion yen, 3.2 percent less than the end of September 1993, meaning that the bad debts for city banks have clearly passed the critical point. Incidentally, recent settlements for the city banks have been extremely favorable against a backdrop of low interest rates. Huge profits would have been possible if it were not for the bad debt problem. Business profits—the equivalent of operating profits of companies in general—totaled 2.38 trillion yen, 5.3 percent below the March quarter of 1993. Each bank made efforts to aggressively redeem the bad debts that were 2.4 times the previous quarter using this net business profit and latent profits from stocks as financial resources. Domestic bad debt redemption by 11 city banks during the same quarter was 2.48 trillion yen, about 1.45 trillion yen (141 percent) above the previous quarter. The city banks' posture to prevent further bad debt accumulation by lump redemption during favorable interest-rate periods is evident. While net business profits are generally applied in toto to the redemption of bad debts, steps are being taken to eke out profits through sales of securities. The hidden profits released by the 11 banks totaled 1.32 trillion yen with the Tokai Bank leading with about 300 billion yen.

Because of the aggressive redemption posture of the city banks, the cover ratio with the mortgaging of bad debts rose to about 50 percent. However, there are major differences depending on individual banks. The most advanced in mortgaging is the Tokyo Bank which has past experience with bad debts overseas and has a cover ratio of more than 10 percent. Conversely, the Sakura Bank and the Dai-Ichi Kangyo Bank each have largescale loans on the 30 percent level, while the remaining banks have between 50 and 70 percent each. If Sakura and Dai-Ichi Kangyo, which are behind, proceed their redamptions at the current pace, it will be at the end of fiscal 1997 that they will be able to finish covering their bad debts. Whatever the difference in pace, the end is foreseen regarding the bad debt problem at the city bank pace. Aside from such ostensible bad debts in arrears, the treatment of unannounced reduced/exempt-interest debts has remained untouched. The MOF recognizes that, if any amount of interest is paid, the debts could be treated as reduced or exempt-interest debts and remain unannounced. The volume of reduced or exempted interest is said to equal the volume of publicized bad debts. It is a dark secret of Japan's financial industry and has a fearful impact on Japan's economy.

Aside from the treatment of unpublicized reduced/exempt-interest debts, the bad debt redemption by city banks is making favorable progress abetted by unprecedented quarterly profits. The point is, as we will explain, that problems carried by major trust banks, small-and-medium financial institutions, housing loan companies, and agriculture/forestry-related financial institutions have not made any progress. Overall, only the major city banks are seen in a favorable light. The rest continue to walk a tight rope.

Whereas the city banks' bad debts show a reduction of 2.2 percent compared to end of September 1993, the bad debts of seven trust banks conversely rose by 4.8 percent to 2.7 trillion yen. The settlement also shows that broad treatment of bad debts resulted in reduced profits for five consecutive years. The operating profits dropped about 30 percent from the previous March quarter to 127.8 billion yen. The redeemed bad debts during the quarter for the seven banks amount to 600 billion yen.

The trust banks have secured earnings by lending funds procured through loan trusts—their mainstay commodity—as long-term funds. However, a considerable portion went into real estate loans during the 'bubble' period, and the impact was heavier than on the financial institutions in the other categories.

Furthermore, aside from the publicized 2.7 trillion yen in bad debts, of the 2.2 trillion yen in financing by the seven trust banks to eight housing loan companies, about half is said to be bad debts, and therefore, if management failures of the housing loan companies should surface in the future, the trust banks cannot avoid enormous impact.

Trust operations carry a time bomb so to speak. Today, the only bright aspect is that net business profits have recently shown large growth due to the financial environment. The net business profits during this quarter by the seven trust banks were up 32.7 percent from the previous year for a total of 405.7 billion yen. The net profits rose because of an increase in profit margins' lower interest rates, in addition to lower dividends paid by the banks based on the liberalization of projected dividend rates for loan trusts.

Meanwhile, the long-term credit banks have been severely affected by the bubble along with the trust banks. The settlements show that the operating profits of the three long-term credit banks including the Industrial Bank of Japan totaled 106.2 billion yen, a drop of 36.2 percent from the year before and a decrease for two consecutive years. Although they benefit from lower interest rates like the other financial institutions, the rising burden of interest payment on interest-bearing debts (bonds) issued during the past era of high interest and the increase of bad debts with interest in arrears have resulted in lower business profits.

MOF's "Alchemy" in Concealing Problems

Meanwhile, despite carrying problems, the major financial institutions appear to be free from the problem according to their settlement reports. Nonetheless, the problem is that bad debts of the small- and-medium financial institutions that suffered heavily from 'bubble' securities which have no hidden profits and the agriculture/forestry-related financial institutions—particularly the eight housing loan companies—have been left untouched. If they should burst open, it means that the institutions are carrying a time bomb that could lead to the disruption of Japan's financial system.

Before discussing problematic financial institutions, we will touch generally on the status of 10 regional banks with their problems, keeping an eye on last year's settlements.

The previous March settlements of 10 principal regional banks show overall sluggishness with reduced profit margins and stagnant growth of loans. All the banks have increased bad debts from clients with announced management failures. The 10 banks include Yokohama, Joyo (main office: Mito), Shizuoka, Hokuriku (Toyama City), Chiba, Ashikaga (Utsunomiya City), Hiroshima, Fukuoka, Hachijuni (Nagano City) and Gunma (Maebashi City). Their finances show that net business profits totaled 340 billion yen, a 11.6 percent drop from the previous quarter. Operating profits totaled 170 billion yen—a loss of 34 percent, and current quarter profits are 90 billion yen, a decrease of 30.7 percent from the previous quarter. The total bad debts for the 10 banks from bankrupt clients has risen by about 20 percent to 240 billion yen.

Whereas the net business profit for the 11 city banks reached 2.3 trillion yen, the net business profit for the 10 principal regional banks is about one-seventh, indicating a clear gap in strength. Incidentally, the net business profit for the Dai-Ichi Kangyo Bank, which is in the B-group of city banks, is 230 billion yen, while the Fuji Bank, which recently became the leader in net business profit, netted 360 billion yen. The city banks and the regional banks are thus comparable to a battleship versus a motor boat. The difference in the profit scales is that, even if the city banks carry bad debts, redemptions are possible within net business profits if time is allowed, whereas the small-and-medium institutions would suffer fatal setbacks if they are affected by the bubble.

The scattered existence of regional banks nationwide with devastating blows by the bubble is a factor that threatens Japan's financial system. A recent example is the Tokuyo City Bank (main office: Sendai City) whose uncollectible debts through disorganized nonledger financing are estimated to be as high as 100 billion yen. Its net business profit in the March 1994 quarter was only 2.2 billion yen, which is not a profit scale that makes redemption possible.

In April 1994, the bank had announced a merger with the Kitanippon Bank in Morioka and the three regional banks of the Shokusan Bank in Yamagata, reportedly for the purpose of rescuing the Tokuyo City Bank. Of course the merger was advocated by the MOF, and bonds that the MOF inspection indicated as "problematic" amounted over 100 billion yen. The merger with the three banks began to make progress a month after the inspection and is seen as influenced by the MOF's administrative guidance. Ultimately, there was an opposition movement against the merger by the employees and clients of the Kitanippon Bank which spread to the employees of the Shokusan Bank, and the merger was forced to be abandoned.

Regarding the Tokuyo City Banks's bad debt problem, the MOF feigned calm by saying: "It will not pose an immediate problem. There is no need for special support." However, can the regional banks which have been branded as "inferior banks by letting the merger slip away" be able to survive?

Although bad debts on the scale of the Tokuyo City Bank will not shake the financial system, the Hyogo Bank's case—a similar second regional bank—is on the level of the Great Kanto Earthquake. In the Hyogo Bank's case, a huge amount of noncollectibles arose from disorganized financing by affiliated nonbanks during the bubble period, and the bad debts became unamanageable for the regional banks. The loans received by 10 affiliated nonbanks from city banks and long-term credit banks reached about 1.5 trillion yen, creating great source of anxiety among the Kansai financial circles. Corporate deposits plunged because of the loss of credibility, but the MOF stepped in with an unusual move of appointing a former official director of its powerful Banking Bureau as the bank's president and has given the bank a breathing spell.

According to the bank's previous March quarter settlement, business has recovered by cutting expenses and has recorded an operating profit of 2.47 billion yen. It is a change from the deficit settlement two years ago and underscores the MOF's prowess as an "alchemist." Under the MOF's impressive influence, the outflow of corporate deposits has halted, personal deposits have turned upward, and the deposit volume has regained the top rank among the second regional banks.

An enterprise with 1 trillion and several hundred billion yen in noncollectibles has turned into a surplus the moment an MOF formrer official became its president, and it returned to its position as the top second regional bank in terms of capital volume. Should such embellishing acts be permitted for a bank whose business is to take care of the customers' precious funds?

No voices are heard demanding the Hyogo Bank's responsibility from the major financial institutions that complied with reduction and exemption of interest toward the Hyogo Bank-affiliated nonbanks. However, the difference in the bank's operations today is that the former manager has assumed responsibility and resigned to be replaced by an MOF former official, and the new managment has been placed in the hands of an 'outsider.' The MOF is reported to be planning the establishment of a 'special settlement purpose company' to restructure the Hyogo Bank's operations. Simply stated, it is a system whereby the bad debts vis-a-vis the affiliated nonbanks will be transferred to the special purpose company, and the lending banks will be able to redeem the fixed bad debts without taxation. The MOF's attitude is to give relief to the Hyogo Bank by taking any steps without regard for appearances.

As long as the powerful MOF holds the reins, the industry has no say in the matter. Consequently, there is no fair economic rationality in Japan's financial industry. Those who know the realities hesitate to deposit in the Hyogo Bank. The reason is that, if a situation unexpected, even by the MOF should arise, the depositors will be the victims. Meanwhile, what kind of phenomenon will the distortions in Japan's financial sector present?

In the early 1990's, there was a period that the United States also suffered from bad debts. A natural selection through mergers based on the market principle took place in the financial circles. The depositors saw their savings in excess of $10,000 turn into scraps of paper when a bank failed. As the result of bad debt redemption at a torrid pace for three years, the U.S. financial industry recovered its health. Japan's financial institutions continue to carry their bad debts. There are no bankruptcies regardless of the damage. As viewed by the other countries, Japanese companies that can no longer survive on their own have prolonged lives. The ranking of Japan's financial circles has dropped from 'major' to 'ordinary.' The level of corporate credibility has declined. Because of the greater risks, interest rates have risen for procurement of assets overseas. Stricter controls are applied for participation in financial projects.

Problems of Housing Loan Companies Difficult To Deal With

The distortions of the MOF's financial administration throughout many years expanded sharply with the explosive rise of bad debts during the bubble period. They are being desperately glossed over today. The use of two MOF methods is indicated. One, regarding management failures by small-and-medium companies, mergers are promoted up to 1 trillion yen in scale. Two, regarding cases that could shake the financial system, MOF former officials are assigned and problems are tided over by affiliated financial institutions sharing the burden. In all cases, assignment posts are created for MOF retirees. Nontheless, in this case, an entire category of housing loan companies established under the auspices of MOF became "hot beds" of bad debts. They are called 'hot beds of corruption' in Japan's financial industry.

The loans to the eight housing loan companies by financial institutions total about 14 trillion yen. The largest fund supply source is the Nokyo [Federation of Agricultural Cooperative Associations]-affiliated financial organization with 6.2 trillion yen. The trust banks are second with 2.2 trillion yen. Of course, the city banks also provide loans, but as a rival in the field of housing loans, they do not give large-lot loans.

In November 1993, Nippon Housing Loan [Nichijukin], a core entrprise among the eight loan corporations, drafted a restructuring plan. Details will be omittd here, but while such affiliated institutions as city banks and trust banks have drastically reduced or exempted interest rates, the affiliates were fully protected by having their interest rates fixed at the short-term prime rate level and by having the principal returned. Despite the call for restructuring, there was no sign of the Nichijukin's change to a healthy management, and it merely ended in balancing the accounts for the time being.

To begin with, there is no rationale for the existence of the housing loan corporations. They started out by receiving loans from financial institutions that were in turn distributed as housing loans. However, with the fullscale advance by city banks into housing loans, no user would consider the high-interest housing loan corporations. As a result, they went into real estate loans and found themselves in a quandary. The MOF became the object of ridicule. Moreover, the housing loan corporations are staffed with MOF former officials.

In view of the fact that there is no way for survival by the housing loan corporations, what is the significance of restructuring with the purpose of prolonging their existence?

First, what kind of relief measures should be taken for large-lot agriculture/forestry-related financing? Also, how could damage to trusts be avoided? It is necessary to gain time, and there is no means of relief except with public funding.

The management base for affiliated financing is weak. The FY93 settlements for the National Association of Prefectural Credit Federations of Agricultural Cooperatives [Shinren] show 146.3 billion yen in overall operating profit, a 40.5 percent rise from FY92. Lending to housing loan companies is said to total 6 trillion yen. With short-term, prime rate-equivalent interest—in which only affiliated financing is treated as an exception—treated on an equal level with other financial institutions, the operating profits are assumed to disappear. Moreover, if even the return of principal is also in arrears, affiliated financing throughout Japan will collapse.

Because the housing loan companies come under the MOF jurisdiction, and affiliated financing is controlled by the Ministry of Agriculture, Forestry, and Fisheries [MAFF], affiliated financing is barely protected by the MAFF's political influence. If there is a drastic probe into the bad debt problem of the housing loan corporations, they cannot escape unscathed.

Even if the housing loan problem is treated separately, many of the nation's Shinren organizations are stuck with large amounts of bad debts.

For example, the JA [expansion unknown] Tochigi Shinren has failed in handling securities. The federation failed with 'link bonds' geared to the Tokyo average stock prices in the March 1993 quarter and fell into an immediate deficit of 13 billion yen. The federation requested additional investments by Nokyo units in the prefecture and managed to tide over the situation.

The Tochigi federation is not the only federation that has gone into a deficit by failing with bad debts and securities investments. The Miyagi prefectural Shinren has also experienced operations failure and incurred a loss on the 10 billion yen level. Also, the Saitama prefectural Shinren's FY91 and FY92 settlements show losses of 7.3 billion yen and 19 billion yen respectively, and no dividends have been distributed to the Nokyo units under its umbrella.

The handling of the housing loan problem could lead to the downfall of Japan's farming areas. It is not merely a problem of the MOF financial policy. There are political problems as a backdrop, and clues for solutions are not easily found.

Japan's Financial Industry Is a Glass Tower

As we have seen thus far, Japan's financial industry has become a domain without functioning market principles and economic rationality. The financial institutions overlap with each other like mosaics and form a glass tower. It is fragile to the point that one fracture could cause the entire tower to collapse. The MOF and Bank of Japan [BOJ] constantly check the use of funds and management conditions of the nation's precarious financial institutions, and the BOJ issues loans based on the official discount rate (1.75 percent) as necessary. It is called a 'camphor shot.' It is literally tightrope-walking administration.

On the other hand, the continuation of the lowest interest rate in history as long as possible is also a key stance adopted by financial policy planners. The reason is that, during rising interest rates, the margin of profits received by the financial industry is reduced. It becomes a drag not only on the major city banks, but also on financial restructuring that seeks to redeem bad debts within the framework of net business profits.

It is an established theory that the rise of the bubble was caused by continuing the low 2.5 interest rate longer than necessary. At the time, the BOJ's policy-check items failed to include stock prices and land prices, thereby committing a basic mistake. However, at the time, the currency supply exceeded 10 percent, and therefore, an inflation alarm must have been ringing. There is a strong fear that, in the future also, the theme of a sound financial system will pose a heavy burden, perhaps resulting in a recurrence of erroneous policy judgment. The bureaucrat's duties change every two years, but the impact of his erroneous judgment is enormous.

Ozawa Leaves for Week-Long U.S., France Trip

OW0610051894 Tokyo KYODO in English 0500 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Opposition leader Ichiro Ozawa left for the United States on Thursday [6 October] on a weeklong trip that will also take him to France. Ozawa, secretary general of Shinseito, a core force in the largest Diet group Kaikaku (Renovation), will make a keynote address at the fourth Japan-U.S. "Grassroots exchange summit" to be held Saturday in Williamsburg, Virginia, his office said. He will fly to Paris via London on Sunday "to take complete rest," an aide said. He will return home Wednesday.

Ozawa, a key opposition strategist, drew attention during his previous visit to the U.S. in July when he declared that he will merge all noncommunist opposition forces into a new party.

Most opposition legislators, excluding those of the Japanese Communist Party, have agreed to join the proposed new party, to be set up in December on the basis of the Kaikaku grouping.

Kaikaku To Hold Inaugural Convention Early Dec

OW0510154194 Tokyo KYODO in English 1457 GMT 5 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 5 KYODO—The new parliamentary group "Kaikaku (Renovation)," the forerunner to a new unified opposition party, decided Wednesday [5 October] to call an inaugural national convention of the new grand party at an unspecified date between Dec. 4 and 11, Kaikaku officials said.

The decision was made at a meeting of the action committee of the New Party Preparatory Conference, a panel of the 187-legislator parliamentary group, the officials said. The committee is chaired by Shinseito co-leader Ichiro Ozawa.

Committee members also decided to pick the name of the new party by soliciting suggestions from the public through the mail, they said.

Public solicitation is designed to drum up support for the new party by giving the public as strong an impression as possible about the imminent establishment of the new party, they said.

Some Shinseito panelists withdrew their position that the convention be held as early as November in order to allow two key renovation partners—Komeito and the Democratic Socialist Party—to secure some leeway to dissolve and merge their national organizations into the new party, they said.

During the day's committee meeting, panelists called for a new way of deciding on the group's Diet tactics in view of some internal squabbling over the recent strategy for boycotting a keynote address by Prime Minister Tomiichi Murayama, they said.

The boycott at the onset of the extraordinary Diet session drew a sharp reaction from the ruling coalition and got bogged down without any tangible results.

The unpopular move led to a decision to transfer some of the authority to decide on the group's parliamentary tactics from the action committee to a meeting of the chiefs of renovation's three key committees, they said.

The three panels are the Diet Steering Committee, Policy Committee and Public Affairs Committee.

When necessary, a meeting of the action committee of the New Party Preparatory Conference will be called to give its own advice on the parliamentary tactics to be taken, the officials said.

The action committee also decided to collect 100,000 yen from each of the group's 225 legislators from both the houses of representatives and councillors in a bid to fund the expenditures needed to finance a campaign to solicit public suggestions for its party name and the establishment of the new party, they said.

Meanwhile, at a lecture meeting in Fukuoka, Fukuoka Prefecture, Seiichi Ota, an executive of the Liberal Party, a Renovation component, called for Ozawa to be selected as the leader of the new party.

"Although Mr. Ozawa's reputation is bad, he has practical abilities," Ota said.

"Even if Mr. (Toshiki) Kaifu or Mr. (Tsutomu) Hata assumed the post of new party leader, would they be able to lead?" He asked.

"I am fed up with a two-tier power structures," he said in reference to the possibility that Ozawa may try to exert real behind-the-scene power under the cover of a figurehead in the new party.

Ota called on Ozawa to have the courage to take all the criticism and hardship he might have aimed at him from political opponents and the media if he assumed the leadership of the new party.

"Any leader must be prepared to brave rainfalls and winds, so I want Mr. Ozawa to endure these things," he said.

Murayama Reiterates No 'Snap' General Elections

OW0610090994 Tokyo KYODO in English 0813 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Prime Minister Tomiichi Murayama reiterated Thursday [5 October] that Japan will continue to limit its participation in UN peacekeeping missions to noncombat fields even if it obtains a permanent seat on the UN Security Council.

"In any event, our position on cooperating in UN activities is on condition that Japan will not resort to the use of force banned by its Constitution," the premier said at a plenary session of the House of Representatives.

Foreign Minister Yohei Kono declared Japan's candidacy for permanent membership on the UN Security Council when he addressed the UN General Assembly in late September, saying Tokyo is willing to play a role within the bounds of its Constitution.

Article 9 of the Constitution prohibits the threat or use of force as a means of settling international conflicts.

Murayama also rejected a call to dissolve the lower house for a snap general election as soon as a bill redrawing the electoral map wins Diet approval.

The premier said he will continue tackling a plethora of pressing issues facing the nation such as political, tax system and administrative reforms.

"It is the best way to live up to public expectations that we carry out those tasks one by one and sincerely," he said.

In January, the Diet legislated a package of political reform bills to introduce a new system that combines single-seat voting districts with proportional representation for general elections.

Passage of the redistricting bill is required before the next general election can be conducted.

Earlier Thursday, the premier told a plenary session of the House of Councillors that the Self-Defense Forces (SDF) contingent in Zaire may withdraw if personnel safety is threatened.

The troops are stationed near a refugee camp in Goma, eastern Zaire, to help Rwandan refugees.

"Since (the SDF) are there for assistance activities, it is in a sense natural that they should withdraw if the situation becomes such that it does not allow the continuation of aid activities," he said.

Murayama said the SDF dispatch is a humanitarian mission and does not constitute an effort to win a permanent seat. He reiterated that it was sent in response to a strong request from the United Nations.

At the lower house plenary session, Murayama also dismissed speculation that participation in the Rwanda mission will open the way for resurrection of a militarily powerful Japan.

Trade Union Endorses Yamagishi's Successor

OW0610063194 Tokyo KYODO in English 0534 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Jinnosuke Ashida was endorsed as head of the Japanese Trade Union Confederation (Rengo), the nation's largest labor organization, at a meeting of its central committee on Thursday [6 October], succeeding Akira Yamagishi, Rengo officials said.

Ashida, deputy president of Rengo, was the sole candidate seeking the post after Yamagishi announced his intention to resign Sept. 8, citing poor health.

Ashida heads the 587,000-member Japanese Federation of Textile, Garment, Chemical, Mercantile and Allied Industry Workers Unions (Zensen Domei), which is the third largest private-sector trade union after auto and electrical workers unions.

Rengo elected Morishige Goto, chief of the All-Japan Prefectural and Municipal Workers Union, as deputy president.

Yamagishi became the first president of the eight million-member Rengo when it was established in November 1989 through the historic merger of private and public sector trade union confederations. His third two-year term of office was due to expire in October 1995.

Rengo provides the main support base for the Social Democratic Party [Social Democratic Party of Japan-SDPJ], one of the three ruling coalition parties, and also for the Democratic Socialist Party, one of the opposition groups which are planning to merge into a single political party later this year.

Coalition Lawmakers Submit Anticorruption Bill

OW0410133794 Tokyo KYODO in English 1258 GMT 4 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 4 KYODO—Lawmakers from the three ruling parties submitted Tuesday [4 October] to the Diet an anticorruption bill to amend the Public Offices Election Law.

The measure is likely to become law during the current Diet session because the opposition camp proposed a similar one Friday.

The proposal seeks to expand the scope of people penalized for involvement in vote buying and other election irregularities.

If an election campaign organizer, for example, for a Diet candidate is convicted and sentenced to a prison term for vote buying, the victory would be nullified. The candidate would also be prohibited from running in a Diet election for five years after the conviction.

If the amendment is endorsed, it will take effect at the next Diet election.

Takemura on Bureaucracy, Political World

OW0610013294 Tokyo CHUO KORON in Japanese Oct 94 pp 90-99

[Interview With Masayoshi Takemura, minister of finance and head of Sakigake, by commentator Soichiro Tahara; place and time not given]

[FBIS Translated Text] **Key Man in LDP-SDPJ-Sakigake Coalition Government**

[Tahara] How well is the Murayama administration doing?

[Takemura] Considering the fact that the formation of a cabinet was relatively quick after Mr. Murayama was designated prime minister, and how the new government did at the [Naples] summit, I think it is all right to give it a passing grade.

[Tahara] By the way, I think you were the key tactician in forming the Hosokawa government a year ago. At that time, you and Mr. Hosokawa proposed an electoral system in which the single- seat constituency is coupled with proportional representation, and visited each former coalition party, and the Liberal Democratic Party [LDP]. As a result, the Hosokawa government was formed. I think you are again the key man in forming the LDP-SDPJ-Sakigake coalition. What do you think?

[Takemura] It is true that Sakigake revealed a certain policy by having a serious discussion within the party, and acted.

After the Hosokawa government's abrupt resignation, selecting the next prime minister within the original framework of a coalition was the natural course. However, forces rebellious against Sakigake had emerged with respect to the national welfare tax and cabinet reshuffle plans, and our sense of incompatibility was also strengthened during the latter half of the Hosokawa government. We thought and wrote: "This kind of situation should be clearly reflected on, and we must start over by making the coalition government democratic and transparent." We presented this to each party calling for a party leader meeting to be held, but it was not accepted. So, we left the cabinet to cooperate from outside.

Then, the SDPJ [Social Democratic Party of Japan] announced a policy platform for a third coalition government, and presented it to all parties including the LDP near the end of the Diet term in June. We thought we can sympathize with its content and policies.

[Tahara] This is an important point. You mean Sakigake joined the SDPJ's plan, and not the other way around?

[Takemura] You are right. We replied to the SDPJ in writing: "Basically, we agree with your policy. However, since it is the SDPJ's proposal, we understand that the SDPJ will be in the center of a new government, and specifically, the prime minister will be selected from the SDPJ." After that, we officially started announcing a blueprint for a new government headed by an SDPJ member.

[Tahara] However, an SDPJ prime minister was not possible because Sakigake and the SDPJ alone were not able to come into power. At that point, you already had a plan to tie up with the LDP....

[Takemura] No, because we have valued ideals and political principles, we felt the most important thing was whether or not the SDPJ was determined to choose a prime minister from its membership and be the foundation for a new government. This was the top priority for the basis of a coalition government at that time because the then coalition government had its problems, and the LDP was not favored.

[Tahara] However, when it comes to the question of attaining power, you either had to align with the LDP or with the former coalition.

[Takemura] We thought either force was all right as long as it agreed with our views.

[Tahara] Nevertheless, there was discord between you and the Ichi-Ichi line [the duo of Shinseito Secretary General Ichiro Ozawa and Komeito Secretary General Yuichi Ichikawa].

[Takemura] Yes.

[Tahara] We thought that it was impossible for you to cooperate with the former coalition. It seemed to us that the LDP was the only choice.

[Takemura] Another possibility was a conservative union—the former coalition ties up with the LDP—and we would become the opposition party. I also had this scenario in mind.

[Tahara] So you say there were three alternatives.

[Takemura] I was relatively neutral about each choice. Yet, I was determined not to team up with the former coalition unless it reflected on the various problems that occurred during the Hosokawa government, and the trouble regarding the formation of [joint parliamentary group] "Kaishin,"—in other words, the problem of Mr. Ozawa and Mr. Ichikawa. Because of my determination, the possibility of aligning with the former coalition may have been somewhat lower.

[Tahara] Is it after that that you actually made contact with LDP members?

[Takemura] Even while we were participating in the Hosokawa administration, we were in touch with the LDP in many ways regarding the political reform bill. We were misunderstood over that, or it repelled Mr. Ozawa and others.

[Tahara] I would like to ask this point. Why did you make contact?

[Takemura] It is only natural to make contacts with opposition parties since we wanted to pass the political reform bill in the Diet. The LDP, which was the opposition party, had proposed a draft close to that of the ruling party. What is more, because it is a bill to decide the rule of democracy, it is better to meet each other half way and realize the bill's passage in a way that the opposition party could agree with. Mr. Hosokawa has the same opinion about this.

[Tahara] You acted as the chief cabinet secretary, not as the leader of Sakigake....

[Takemura] As the head of Sakigake, my opinion was the same also. In April, there were various developments regarding the LDP-SDPJ-Sakigake alliance. I heard that some members of the LDP and the SDPJ had a serious discussion, and prepared an unofficial document listing their plan for an LDP-SDPJ-Sakigake coalition. This document was also circulated to Sakigake.

[Tahara] Are you referring to the groups of Katsuhiko Shirai [LDP Diet member] and Hideko Ito [SDPJ Diet member]?

[Takemura] No. The LDP leaders also knew about this.

[Tahara] Was there any contact at that point?

[Takemura] There was no direct contact. The document itself was being circulated among Mr. Murayama and Democratic Socialist Party Chairman Keigo Ouchi. After all, the plan did not materialize then. Nevertheless, the change in government was realized while we were officially and unofficially making contact with LDP members this June.

[Tahara] At that time, who was the reliable LDP member you made contact with?

[Takemura] ... [Silence]

[Tahara] I mean, who, on the LDP side, actually had discussions with you on the blueprint for a new government?

[Takemura] While there were many trustworthy people, LDP President [Yohei] Kono and Secretary General [Yoshiro] Mori were the ones that I officially talked with. Besides, I had discussions with the YKK [the trio of former Construction Minister Taku Yamasaki, former Chief Cabinet Secretary Koichi Kato, and former Posts and Telecommunications Minister Junichiro Koizumi], Mr. [Masaharu] Gotoda, Mr. [Noboru] Takeshita, Mr.

[Keizo] Obuchi, Mr. [Shigeru] Kasuya, and so on. In addition, the junior and young members of the LDP.

[Tahara] What did you discuss with Mr. Takeshita?

[Takemura] We had a light conversation as usual.

[Tahara] The press reported that the new government was formed as a result of your contact with Mr. Takeshita.

[Takemura] No, that is not so. Mr. Takeshita cared seriously about the situation, though. He himself was not in the position to bring the LDP together.

[Tahara] The LDP at that time was "Sandee Mainichi [Sunday Everyday]"—everyday is Sunday—to use the words of Shigezo Hayasaka [political commentator and a one-time secretary to former Prime Minister Kukuei Tanaka]. It was disorganized without a control tower or a centripetal force. For such an LDP to align with the SDPJ and to join a government headed by Murayama requires a major decision, and it is impossible without a person with considerable influence. I am inclined to think it was possible because you did the spadework skillfully, or because there was a person who could represent the LDP to talk with you and Mr. Murayama.

[Takemura] I did not do anything, nor was there a coordinator to unite and lead the LDP. I think the LDP's will to come back to power must have served as the centripetal force.

[Tahara] Who told you that "the LDP can form a coalition with the SDPJ with Murayama as prime minister?"

[Takemura] I do not remember very well who told me. Was it the YKK trio? There also were offers from Mr. Gotoda, Mr. Kono, and Mr. Mori in the same period.... Anyway, when our plan for an SDPJ- Sakigake alliance appeared in the newspapers, it was received with a strong reaction. So doing the preliminaries or conferring with someone was not possible under the circumstances.

[Tahara] When I interviewed the YKK trio for the August issue of this magazine, there seemed to be no plan for a government led by Murayama then. One of the trio even said: "Mr. Kono is just a caretaker president. When the LDP starts to take action, he will be replaced." I wonder how the LDP was able to take such a bold action in its current state. I want to make this point clear.

[Takemura] I think the LDP people were saying whatever they liked at the point when the Hata government's resignation was not clear. However, when the possibility of the Hata government's resignation became high, I think the centripetal force within the LDP started to work suddenly.

[Tahara] In other words, no particular person was the centripetal force of the LDP?

[Takemura] I think so. I think it emerged naturally as the political situation changed.

Master of Surviving the Chaotic World

[Tahara] By the way, your plan for an electoral system in which single-seat constituencies are coupled with proportional representation was the deciding factor in creating a non-LDP coalition government. And, the key factor in forming the LDP-SDPJ-Sakigake coalition was your blueprint for a government headed by Murayama.

[Takemura] If Sakigake had not proposed a SDPJ government plan, and the idea had not occurred to the SDPJ, the SDPJ might have returned to the former coalition government. Also, we had not made up our minds early on to never return to the former coalition, in other words, to tie up with the LDP. Nor was the plan for a LDP-SDPJ-Sakigake coalition decided on. In any case, all members of Sakigake were in favor of the plan for an SDPJ government, leaving the two possibilities aside.

[Tahara] I think this is Sakigake's strength. Sakigake appears to be like a master who knows how to survive the chaotic times.

[Takemura] Oh....

[Tahara] The first time I met you was when you had formed a utopia study group. I have been thinking for a long time that you must be an idealist to make such a group, and the group is apart from reality. But as far as I see the process of how the Hosokawa and Murayama governments were formed, this group must be very tactical.

[Takemura] Not at all. It is still a green group. I myself am still inexperienced. We have done nothing but discuss what is the cause and what is the justification in a larger context by recognizing the current political situation. While the outcome is prepared as a document, and published, the content of the writings is not so original.

[Tahara] Then, what is the cause of the LDP-SDPJ-Sakigake coalition?

[Takemura] In essence, it is the fact that the SDPJ is the nucleus of the government.

[Tahara] What do you mean?

[Takemura] Since we are now in the era of coalition, the biggest question is which parties will gather and be responsible for the resulting coalition government. To this end, the parties' views on the current issues have to be made clear. The procedure issue—the two-tier power structure—has been questioned since the time of the Hosokawa government. You express your stand on the issue, and if those who stand together under the same flag win the majority, they will form the government, and if not, they will become the opposition party. This is how we think.

[Tahara] Conversely, this is the point that is difficult to see. The Hosokawa government banner—"political reform"—was easy to understand. What is the LDP-SDPJ-Sakigake coalition's flag?

[Takemura] It is a pity that I cannot say it in a word. However, a joint policy platform announced by the SDPJ and Sakigake claims again that Japan will not choose to become a military superpower for its world role. Therefore, I think we can say that we have confirmed once more that the way Japan relates to the rest of the world should be nonmilitaristic, and it should not be turned into an "ordinary country."

[Tahara] So you want Japan to become an "extraordinary" nation?

[Takemura] Up to now, Japan was clearly not an "ordinary country," which means, the people have supported the Constitution that does not permit Japan to become an "ordinary country."

[Tahara] Let me be sure about what you have just said. The term "ordinary country" is Mr. Ozawa's catch phrase. What is your definition of an "ordinary country?"

[Takemura] I have heard that the term "ordinary country" was first used by the present German defense minister. In other words, it is an expression of how a country is involved in the world in terms of its military.

[Tahara] So you mean an "ordinary country" is a nation that will join military activities to restore order when peace is disturbed somewhere in the world, as written in the preamble to the UN Charter?

[Takemura] However, this is not permitted under the current Japanese Constitution.

[Tahara] But, what Mr. Ozawa has claimed in his book, "Blueprint for a New Japan," is to establish a UN force, and Japan should join it, right?

[Takemura] I think that is a little bit different.

[Tahara] Is that so?

I heard that when Mr. Ozawa was the secretary general of the LDP, he repeatedly said that Japan could join the multinational forces, like at the time of the Gulf war even under the current Constitution. Besides, not only can Japan participate in rear support, but in frontline troops. Is that what you think Mr. Ozawa has in mind?

[Takemura] Well, I guess he at least thinks that Japan should take part in such an activity by changing the Constitution.

[Tahara] And you and your group are against that line of thinking.

[Takemura] Of course, we are. As a matter of fact, Shinseito's [Japan Renewal Party] basic policy is not clear. Even our party announced our ideals and basic policy when it was formed. However, Shinseito had not even done that. Shinseito's view on international contributions, or the Constitution, is not officially public. The views of Mr. Ozawa, who is an influential leader of Shinseito, and ours can be compared, but when it comes to the party's views, it has been difficult to discuss the differences or similarities.

[Tahara] During your eight months in the Hosokawa government, did you ever feel any apprehensions in that regard as you worked with Shinseito as the chief cabinet secretary?

[Takemura] Becoming an "ordinary country" inevitably means to become a military superpower. To put it in an extreme way, I was afraid that there might be an argument to claim the need for possessing nuclear arms.

The present Constitution does not allow it, and many people support the Constitution. As you look more and more seriously into the global community in the late 20th century, what is more important is that there are many serious issues, and even mankind's existence is in question. This is not a time for each and every nation on this earth to become an ordinary country and compete with their military power. Rather, I feel that actively working out what an "extraordinary country" should be for the human race's prosperous coexistence, and popularizing it to the world is the politician's duty.

[Tahara] Are you in agreement with Mr. Kono and Mr. Murayama on this point?

[Takemura] Yes, almost.

[Tahara] Specifically, what kind of nation is an "extraordinary country?"

[Takemura] Well, I described it abstractly and sentimentally as a "small but brilliant nation," but to put it more seriously, Japan has to take up its role in the nonmilitary area more aggressively. For example, I want to create an environment tax in the future.

[Tahara] Environment tax...?

[Takemura] A small budget from the national budget allocated for earth's environment does not show that the government is serious about the issue. Regarding the environment issue as everybody's problem, national consensus will be sought for the tax. Specifically, about 1 percent of the amount of revenue from the consumption tax is needed. That alone will be more than 2 trillion yen a year—the amount raised for the Gulf war was 1.3 trillion yen. Unless this amount is collected, I do not think we will be appreciated as making an active contribution to the world's environmental issues.

In addition, there are many other issues such as population, AIDS, and poverty that the international community, including the UN, is aware of but the number of people and the amount of money are not sufficient to solve them. Therefore, I want to seriously consider whether Japan, whose Constitution limits its military contribution, can take the lead in the field of nonmilitary contributions.

Can Bureaucracy-Led Politics Be Changed?

[Tahara] I would like to change the topic.

Administrative reform was one of the Hosokawa coalition government's propositions, and Mr. Hosokawa said "changing the politics led by bureaucrats" is an example of administrative reform. I think this was also one of the themes of the system reform study group led by you. What do you think is the problem of present-day Japan, a country that is led by bureaucrats?

[Takemura] The issues of bureaucracy and politics are two sides of the same coin. That the bureaucrats are too powerful means that politics are too weak. I understand that the contradiction of bureaucracy is caused by politics.

[Tahara] It is heard that since the Hosokawa government was formed, the bureaucrats are acting at their will more than ever because the coalition government politicians do not know well the bureaucratic system. In that sense, bureaucracy-led politics is more strengthened than before. So, what do you think the politicians should do to control the bureaucrats?

[Takemura] The bureaucrats have to trust politicians. To be concrete, the politicians' ability to draft policies has to be strengthened.

[Tahara] Mr. Ozawa once proposed, "increase the number of deputy ministers from politicians," "bureaucrats do not have to take the floor to answer questions in the Diet, ministers will handle all of them," and "when the government changes, bureau chief level and higher government officials should all be replaced."

[Takemura] Some aspects of such a proposal are worth examination. Also, I think it is important to strengthen the policy writing staff of the Diet members. Furthermore, a think tank, like that in the private sector, which can compete with the bureaucrats has to be created to raise the political parties' policy-making ability.

Because bureaucrats are not selected by the people, they do not have to take responsibilities for policies. While politicians are the ones who originally have to be responsible, the cart is now put before the horse, and the politicians do their jobs by buttering up the bureaucrats as much as possible. Concretely, the picture is established in which the politicians assist a policy that centers around ministries' various barriers, and in return, they are helped with nourishing their electoral turf and organizing votes. To drastically change the whole situation, I think the need for a deputy minister, or a policy-making councilor, as Mr. Ozawa has proposed, and especially the argument to strengthen the function of the official residence, which is the nucleus of the cabinet, can be discussed more actively.

[Tahara] Specifically, the national welfare tax was suddenly proposed last winter, for example. You expressed discontent with the plan. Mr. Ozawa adopted a policy planned by the Ministry of Finance [MOF] and tried to carry it out without a thorough discussion by the politicians. I think this is the very example of how bureaucracy-led politics can be bad. Now you are the minister of finance. What have you learned from this incident?

[Takemura] The way the plan was announced was so abrupt that it was not foreseeable by the people. The process was completely unclear, and it was not democratic in any way. This means the circumstances under the then government allowed that kind of trouble to occur.

[Tahara] Was it not a problem between politics and bureaucracy, but rather an issue within the government?

[Takemura] The case may have both aspects, but I think it was caused by the contradiction of politics.

[Tahara] By contradiction you mean...?

[Takemura] Immediately before the incident, the coalition government, including Shinseito, had thought raising taxes that year was impossible. The economy was in recession, and the discussions were not concluded. There was the political reform, and the preparation of the national budget was considerably behind schedule. So raising the consumption tax in such a short time was not possible under the situation. It is a wonder, though, why the announcement of the plan was decided....

[Tahara] The sudden announcement of a tax hike appears to us as the result of Mr. Ozawa's and others' sense of crisis that the bureaucrats' scenario had to be carried out to prevent Japan's finances from going bankrupt. In other words, politicians did not have anything to dispute the bureaucrats' scenario, and I see the incident as proof of how weak the politicians are in relation to the bureaucrats.

[Takemura] Yes, that is one way to look at it. However, though I am not saying this because I am the finance minister, the MOF staff say "it was not led by the MOF." They say, "we did it because we were told to by the politicians." In fact, there might be a case in which some political force assists the claim of a government office, and the policy is carried out due to the balance of power within the government. However, there cannot be a case in which the office itself forcibly carries forward a plan.

[Tahara] Well, I think that is the slyness of MOF bureaucrats (laughter).

[Takemura] No, a lot of serious discussion seems to have taken place within the MOF.

[Tahara] Shifting the responsibility onto the government reveals the nature of bureaucrats who do not take responsibility. As for the MOF, it tried to force the passage of the plan by taking in some politicians and pressing its scenario on them. However, it failed then because it had placed too much confidence in the Ichi-Ichi line's power. Is not this what it was all about?

[Takemura] Those who were involved at that time must have more or less reflected on what they had done. The atmosphere in the present MOF is that it will not repeat the mistake.

Alone at the MOF

[Tahara] At the time of the Hosokawa government, you directed the Management and Coordination Agency to compile a list of items for deregulation. When the agency came up with a list of approximately 600 items, you said: "It is not enough. If you cannot do this job, the official residence will handle it." Then the items were increased to 900. Such an anecdote makes me expect that you will do something. The people's greatest interest in you is whether or not you can change the MOF, the symbol of bureaucracy.

[Takemura] Thank you very much for your encouragement (laughter).

[Tahara] When a politician becomes a minister, he often turns out to be like the spokesman of his ministry, though.

[Takemura] In some respects it is inevitable. For example, when I go to the MOF, I am alone. I am the only politician, and there are more than 70,000 bureaucrats in the office. There are many talented people among the senior level officials alone. In such an environment, it is not easy to work according to the views of the minister.

[Tahara] However, when you took the office of governor of Shiga, it was as though you parachuted into the middle of prefectural bureaucrats who were used to working in a conservative kingdom. At that time, you changed Shiga by winning public support through discussion. This time you landed in the MOF, and I think you can do the same thing by talking directly with the people and gaining their support.

[Takemura] I think I was faced with more difficulty when I entered the Shiga prefectural government. It was very much like going into enemy territory because all the leading officials in the prefectural government were against me at that time. Although various comments have been made in the MOF in relation to the national welfare tax, my relationship with the ministry is not a hostile one.

What is important is—by understanding their feelings and gaining their confidence—how you can create an atmosphere in which the officials can actively demonstrate their abilities.

[Tahara] But, when you try to win their trust, there is a chance that they might have you in their pocket instead....

[Takemura] Since I am well up in my years, I will not be infected so easily (laughter). For instance, I will have to make a final decision on the major issue of tax reform, and assume the entire responsibility. However, I do not think I have to find fault with the officials day-to-day work. For that part, I would like to deal with the bureaucrats with an attitude that I am the one who is learning.

[Tahara] About this tax reform, the MOF claims: "If income tax cuts are continued this year and next year, there will be no source for the shortfall. Deficit-covering bonds cannot be issued to fill the revenue shortfall. Also, raising the consumption tax rate is unavoidable when we consider the advent of the aging society in the near future." Are you attempting to change this scenario?

[Takemura] I think this scenario is not wrong, basically. However, its procedure is the problem. I think the people doubt whether the nation is in such financial difficulties that it has to carry out a tax hike. The people are thinking: "While the private sector is trying very hard to cut down expenses, why does the government not streamline its spending? Why does it not carry out administrative reform?" I think we have to answer these questions. There are also many criticisms on the tax system itself. Though it cannot be fixed easily, we must clearly show that we are willing to change the tax system's unfair aspects.

Another big issue is that the reason for the tax increase is difficult to understand because three reasons—"to fill the revenue shortfall created by the salaried workers' tax reduction," "to make sound the national finances, which have accumulated more than 200 trillion yen in deficit," and "to support the welfare of the coming aging society"—are given and they are complicating each other. I think the people are coming to understand the third reason, "the aging society," however, we should at least explain in a concrete and digestible way the need for the source of welfare encompassing pension, health care, and nursing. At the same time, it must be explained by showing concrete numbers that "the burden will be high for a high level of welfare, medium for medium, and low for low"....

[Tahara] You would rather have the people choose.

[Takemura] No tax increase is accepted with a smile. For that reason, what we can do is to increase the number of people who would reluctantly agree, "if this much is secured, this amount of tax increase is inevitable."

[Tahara] The MOF or the bureaucrats up to now have shown the result abruptly. Instead of doing so, you intend to make the process more clear?

[Takemura] That is right. The MOF staff says there is no successful case of simply raising taxes in the world. That is why a tax increase is carried out with tax cuts.

[Tahara] That is the carrot and stick.

[Takemura] However, I am saying that if the two are separated, it might be easier to get the people's understanding.

[Tahara] You mean the carrot should be presented clearly as the carrot, and the stick as the stick?

[Takemura] Right. It may be suggested to some extent that although this level of tax reform will be needed in the future depending on the circumstances, this level is required for the time being, and in some years this kind of reform will be necessary.

Not Rushing To Unify the LDP, SDPJ, and Sakigake

[Tahara] This will be the last question, what do you think is the selling point of Mr. Murayama?

[Takemura] He is a good person.

[Tahara] For politicians, "a good person" is used rather as an expression to speak ill of people (laughter).

[Takemura] No, no. Mr. Shusei Tanaka [of Sakigake] once said, "Sincerity and courage are what the prime minister needs," and I think Mr. Murayama has these two qualities. In fact, the more I talk with him, the more I feel I can trust him, and I also feel so when I look at the way he does his job as prime minister.

[Tahara] How is he different from Mr. Hosokawa?

[Takemura] Perhaps he does not wear mufflers (laughter). Mr. Hosokawa was an attractive figure as the prime minister of the first coalition government after the LDP's single-party domination ended. I also think he has served a particular role. Mr. Murayama is not able to grandstand, and his manner of speaking may not be sophisticated, but I think his sincerity is an important quality as the third prime minister of the coalition.

[Tahara] Let me ask about one more topic. A plan for the new electoral districts has been drafted. Is Sakigake still going to run as an independent party in an election under the single-seat constituency system? Or, are you going to seek the merger of Sakigake, the LDP, and the SDPJ? Moves to form a new party among the opposition have become active recently.

[Takemura] In the first place, I do not believe Sakigake cannot run in an election under the single-seat constituency because it is a small party. I would like to devote all my energy to gathering as many as possible attractive and talented people who can win an election under the single-seat constituency. Of course, we also intend to seek cooperation with other parties at the same time.

[Tahara] What about a joint parliamentary group, or a new party...?

[Takemura] No, we will not rush to do that. I think a bold political realignment is necessary in the future. When the distinction between an "ordinary country" and "extraordinary country," which I mentioned earlier, becomes clearer, some people may leave a party and some may enter. And, if people are going to be united under a serious ideal, then the picture of forming a new party may emerge on the government side too. But we will not seek that immediately.

[Tahara] Is the two major party system the ultimate picture?

[Takemura] I do not deny its possibility in the distant future, but it is impossible for the moment. We will only end up with contradictions if we force the creation of the two party system. The logic of those who advocate a new party seems to be: "The [power of] numbers is enough to win an election. We can merge for that purpose, ignoring the differences among the parties." Although, I think it is not that simple. I think the opposition parties too, since they represent a wide variety of views, should reveal their policies more clearly, and then they can discuss whether to align or not.

The same can be said to us, the ruling party: "Haste makes waste." For the next two years, I think each party should work out a new picture of the political world that will be easy for the people to understand.

More Former Bureaucrats Become Company Executives

OW0410130894 Tokyo KYODO in English 1159 GMT 4 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 4 KYODO—An increasing number of former top government officials have become executives of private companies despite the economic slump which is leading restructuring efforts in many firms, a private report showed Tuesday [4 October].

According to a survey conducted in late July by Toyo Keizai Inc., an economic publishing house, on 2,220 major companies and economic organizations, 169 former government officials became their executives in the year from August last year.

A total of 1,404 former government officials were on the job in 602 companies, the survey showed.

"We can't make an exact comparison with last year due to differences in the companies surveyed, but we can say with certainty that the number of government officials entering the private sector is steadily increasing," an official at Toyo Keizai said.

By ministry, the largest number of former government officials to land top positions at private firms came from the Finance Ministry, at 36. The Ministry of International Trade and Industry came next with 17, the Construction Ministry with 12, the Bank of Japan with 11, and the National Tax Administration Agency with 10.

Out of the top 20 companies with the highest share of executives who were once government officials, 17 were construction-related ones, underlying the strong government-private ties involving the construction industry.

Bureaucracy in 'Upheaval' Under New Government

OW0610121694 Tokyo SHUKAN DAIYAMONDO in Japanese 24 Sep 94 pp 38-41

[Article by journalist Tadahide Ikuta: "Bureaucracy's Elite in Upheaval From Abrupt Change in Japanese Administration"]

[FBIS Translated Text] It is certainly a truism to say that last summer, with the end to the extended succession of Liberal Democratic Party (LDP) administrations, the halls of bureaucrats throughout Kasumigaseki were awash in shocked delight. Without doubt, the LDP's fall from its 38-year long [single party] domination of political rule inevitably had widespread repercussions for the people of Kasumigaseki, who for so long had paid homage to the LDP alone. However by that point, the long standing LDP domination of political rule had already become a heavy burden for Kasumigaseki.

Immediately following the birth of the Hosokawa administration, an economics agency official expressed his feelings of welcome: "Already within the ministry, there is a new atmosphere, and we are now able to have spirited debates. There are some serious problems in the coalition government, but we want our ministry to get what it can out of this mess. At this point, [even] Mr. Ozawa (Ichiro; current joint secretary general of Shinseito [Japan New Party]) does not have free rein to push his own way."

These words simply express an abject relief at the freedom of being out from under the control of LDP Diet members. Many of the bureaucrats were on guard against possible moves by the Socialist Democratic Party of Japan [SDPJ] and wary about what complications might be involved in discussions with the coalition government's ruling parties. However, these concerns seemed to dissipate before the tidal wave of feelings of emancipation.

However, on the night of this 29 June, Tomiichi Murayama of the SDPJ was nominated to be prime minister and the head of a coalition administration that included the LDP, SDPJ, and Sakigake [Harbinger Party]. The Kasumigaseki response was markedly different from its reaction last summer. Despite the strong hopes in the hearts of many bureaucrats for an LDP return to power, the words of welcome were most conspicuous by their absence.

For example, one influential senior Ministry of Finance [MOF] official had previously maintained: "It is easier for us under LDP administration." He now says, casting aspersions on 'the Ozawa control': "The atmosphere inside the MOF has changed completely over the last year even as Mr. Ozawa's power has escalated. It may be that it has now become difficult for us to work 'hand in hand' with the grand old men of the LDP to solve policy problems like we used to."

In vivid contrast to the LDP's high spirits over its return to power, Kasumigaseki has been swept by a heavy gloom. The bureaucrats in Kasumigaseki are behaving like perfect strangers, as if to disavow the existence until a mere year ago, of the once ironclad "government-bureaucracy-industry" triangle in which they were an integral part.

Why has Kasumigaseki changed so over the past year? Have so many bureaucrats become "anti-LDP" or "non-LDP"?

The Aftermath of Naito's Resignation

At the end of last year in December, as a consequence of International Trade and Industry Minister Hiroshi Kumagai's exercise of the state's legal power, Industrial Policy Bureau Chief Masahisa Naito was, in effect, forced to resign. Let us examine the activities within the Ministry of International Trade and Industry [MITI] that suffers serious aftereffects [from the incident].

Immediately following his assumption of the office of MITI minister under the LDP, SDPJ, and Sakigake coalition, Ryutaro Hashimoto announced: "I have nothing to say about the past. From here on in, I want you to be team players." He recognized that Naito had been [arbitrarily] "dismissed" and clearly indicated that for the time being, he had no intention of taking action against any of the senior ministry officials who had leaned much too heavily on the side of Shinseito.

And so, the senior MITI officials, most certainly driven by Hashimoto's encouragement, approached Naito with a "resolution." They recommended Naito for a post as an advisor to Sanwa Bank, a position traditionally assumed by ministry "retirees" at the administrative vice minister rank. Additionally, they dispatched Naito to international conferences to represent MITI as an advisor. By dealing with Naito in this manner, his repatriation to the MITI family was assured.

However, there was nothing here beyond correcting the appearance of the problem. It begs certain questions to assume that Naito's agreement to accept two separate advisor posts indicates his intention to return to the MITI family. Naito had already agreed to give lectures at some of North America's best known schools, including Georgetown University and Columbia. His schedule on an international scale is already replete with activity. It is not likely Naito will follow the traditional MITI retiree course of moving from a [golden parachute] landing as a senior advisor to the Sanwa Bank, Ltd. to a post as a senior officer of a major corporation. He may conversely now harbor doubts about [the motives of] Administrative Vice Minister Hideaki Kumano and other senior MITI officers who are trying to avoid the fallout from his dismissal.

So why was MITI Minister Hashimoto, a power in the Murayama administration, so quick to declare: "I have nothing to say about the past," and why did the ranking leadership of MITI then arbitrarily approach Naito seeking "a smoothing over"?

In Hashimoto's case, it might simply be that his beliefs include a dislike for political interference in the bureaucracy's personnel issues. However, Kumano and those below him on the senior MITI staff were never consistent on the Naito issue. The main reason why the [MITI] senior staff asked Naito to resign last December was their quest for "a new attitude," that is, Naito's presence was a "negative" factor for the MITI "attitude." So why treat Naito, who was judged to be a "negative" factor, as an honored "retiree" at the administrative vice minister rank at this point?

Obviously, the "new attitude" has every appearance of being a justification smoke screen used by MITI's senior staff as the result of applied political pressure. But was there no other way to say it? And why was there no effort to seek reconciliation with Naito sooner? It is not enough of an explanation to say there was political pressure?

The Collapse of the Monolith Bureaucracy

Moving ahead to the conclusion here, the reason the senior MITI officials are wheeling around in "Dutch roll" circles [an aerial figure 8 pattern] is the direct result of nothing other than the existence of a complex web of internal factions within the ministry, and the impacts of the many personalities involved. At the time of Naito's dismissal in December, one group actually placed negative reports of Naito in front of Kumagai, (mostly fabricated to create a negative impact) going so far as to put together and widely disseminate libelous papers.

These people sought to strengthen their ties to Kumagai and Ozawa, which became in turn, the background for the moves to dismiss Naito. The so-called emphasis on "a new attitude" was actually a bitter result of capitulation to such pressure of the anti-Naito forces.

Moreover, the suddenness of the move to reconcile with Naito, regardless of whether there was pressure from Hashimoto or not, itself reflects the existence of a group which sought "restitution" for Naito.

In other words, there is the de facto existence of organized factions and personal connection networks within MITI, which on occasion combine with politics to impact on ministry operations. When a powerful ruling party oversees successive administrations over a long term basis, it becomes difficult to bring what happens behind the scenes out into the open. But under conditions like today's, where ruling powers change like daily lunch specials, it is difficult to know when there will be another [internal] conflict.

One influential former ministry official has this to say about such conditions: "I am always advising incumbent officials to limit 'involvement with politicians' to those who are bureau chiefs or above. Once you have made bureau chief, even if you lose your position because of political machinations, you have come far enough to give it all up. It would be just too bad if lower department and section chiefs get caught up in these things."

With MITI fallen into such a situation, it would be "risky" for any leader who has harbored hopes for an LDP return to power to exert any unnecessary effort to publicly declare his support of the Murayama administration. Therefore, it is quite understandable that the majority of senior MITI officials whom we interviewed have refused, to an almost unbelievable degree, to make any comment on political issues.

However, the kind of internal complications that have surfaced in MITI in the aftermath of last summer's collapse of the long standing LDP reign are not necessarily limited to MITI alone.

It is being said that the MOF, called "the ministry of ministries" and which has always had pride in its monolithic solidarity, is now opening, more than a bit, at the seams. A leading official of the ministry expressed his dismay: "The problem with Administrative Vice Minister Jiro Saito in our ministry is the pushy techniques he used at the time of the National Welfare Tax issue. Also, there are more than a few complaints within the ministry about Administrative Vice Minister Saito's methods of administration. However, he is empowered with secure control over much of the ministry, and uses this power to control it. He is different from Administrative Vice Minister Kumano in that aspect.

But what would happen should Administrative Vice Minister Saito retire? Just recently, Administrative Vice Minister Saito and a few of the senior leadership closest to him joined Mr. Ozawa for an evening out. Their 'closeness' became a topic of discussion. There was a point where the tendency was to suggest that "If you are not a supporter of Ozawa, you are not a MOF bureaucrat."

"It is probable that should Administrative Vice Minister Saito retire, there will erupt in Machiavellian style, moans and complaints from the senior officer ranks who have been forced to remain silent during this period. Of course, if Shinseito has returned to power by then, it would be a very different story...."

Open Confrontation Between the Technocrats and the Humanities-Trained Career Men

At one time labeled the "Ozawa Ministry," senior officials of the Posts and Telecommunications Ministry under Administrative Vice Minister Haruki Matsuno once instated an "Ozawa shift" into the work force in one fell swoop. This ministry too is no longer one solid monolith. The situation is the same in the Construction Ministry.

The Construction Ministry is strengthening its leanings toward Ozawa who ascended to the throne of the "godfather of public projects" (a phrase from a senior Agriculture, Forestry, and Fisheries Ministry official) under the Hosokawa and Hata administrations, succeeding former LDP Vice President Shin Kanemaru. However, it is reported that some powerful senior officers are not inclined to go along with this move because of their connections to the Obuchi faction, the construction minded faction of the LDP. Some Kasumigaseki bureaucrats are keeping close watch on the Construction Ministry on the supposition that following MITI, it will next publicly air its internal conflicts.

As stated here, there appear signs in several government offices that conflicts of factions and personal ties, which have always been internally suppressed, will come out into the open as a result of the collapse of the succession of LDP administrations and a new age of coalition governments. The gloomy mood dominating Kasumigaseki despite the return of its former long time partner, the LDP, to power, derives not just from the possibility of a return to power of the former coalition parties, but also from the growing seriousness of these internal problems.

As we have seen, the conflicts deriving from factionalism and personal loyalties have always been the venue of bureaucrats from law and humanities backgrounds, who hold the reins of power in Kasumigaseki. However, this year, there has been antagonism rising between technocrats (technical administration officials) who work with real world situations and the graduates trained in law or humanities who hold the senior posts in the ministries.

Under the LDP's long-term reign, the various departments controlled by technocrats involved in public works, such as the Road Bureau, Housing Bureau, River Bureau, Sewerage and Sewage Purification Department, City Bureau of the Construction Ministry; Ports and Harbors Bureau from the Transport and Construction Ministry; the Department of Agricultural Structure Improvement Bureau from the Agriculture, Forestry and Fisheries Ministry, basically retained a LDP member to act as a "bodyguard" and did not permit the humanities trained bureaucrats to intervene.

Since the planned balance of power between departments achieved an equilibrium, the problem of being unable to redistribute the share of public works from the status quo persisted.

Many in the MOF Budget Bureau and of the humanities trained bureaucrats in every ministry and government office were highly critical of the system. However, as the Diet members lobbying for special interests gained control, and the LDP, such as its Policy Research Council, strengthened power, bureaucrats with law or humanities backgrounds spearheaded by the Budget Bureau lost their voice. It was as if "public project budgets were 'holy ground' and beyond the reach of bureaucrats with humanities backgrounds."

Invasion of "Holy Ground" Results in Internal Strife

However, the Hosokawa administration, which was born last summer, reexamined the fixed distribution [of budget for government projects] as a central political theme. Last November, the Fiscal System Council (the MOF consulting body) presented the criteria for the reexamination:

"Improvement of living standards", such as housing, water, and sewage, is classified as "A." "B" is for "conservation of national land," such as forest conservation and aquifer improvements. "Improvement of industrial infrastructure," such as providing water for industrial use, fishing ports, and harbor is classified as "C." The priority is as assigned in alphabetical order.

The criteria submitted by the Fiscal System Council are said to have been determined not only by the Budget Bureau officers, but also with the participation of humanities background bureaucrats from other government agencies. Consequently, the humanities trained civil servants in public projects offices, who tied up with Budget Bureau officials, could finally devote themselves to the reexamination of the budgets for public projects of their own offices as Diet members with links to particular government offices lose their power.

As a result, although the changes in distribution were minimal, they were overall the largest ever, beyond what had previously been accepted practice. It was the technocrats working on the public projects who had a sense of impending crisis and voiced their growing criticism of the humanities-trained bureaucrats. An agriculture public works technocrat of the Agriculture, Forestry, and Fisheries Ministry Agricultural Structure Improvement Bureau voiced his anger: "There existed a tacit 'gentlemen's agreement' between the legal and humanities background bureaucrats and us, that they would not interfere in our budget matters. If they disregard the agreement, we must now question why they should dominate the positions of senior ministry officials."

Actually, there is no room to doubt the existence of "position discrimination" by humanities background bureaucrats against the technocrats in every government office except the Construction Ministry and in the Science and Technology Agency, where technocrats have a great deal of influence. The technocrats have established full control in departments in their own fields, to balance the lack of promotion to senior posts.

What would happen if technocrats came into open confrontation with bureaucrats with humanities backgrounds? The technocrats have passed the principal senior I class examination for civil service entrance just as the latter did, but there are 1.5 times more technocrats. This could have the potential to become an even greater problem than the confrontation between the factions and personal connection networks of the bureaucrats with legal and humanities backgrounds.

Outbreak of Dissent Between Generations

The collapse of the long political domination by the LDP forced yet another issue in Kasumigaseki. The problem is the so called generation gap. There is a difference in how the coalition governments are judged by the younger and mid-level ranking bureaucrats in their 30's to early 40's, and their seniors who are department heads, councilors, and bureau chiefs.

It would not be inaccurate to say that nearly all younger and mid-level bureaucrats are supporters of the former coalition government while the majority of those in senior positions support the current coalition government. One mid-level bureaucrat who was spotted early on as likely to become a future administrative vice minister in the Construction Ministry, declared: "If our ministry's senior officials have reacted to the political scene out of concern for their own self preservation, and taken an opportunistic wait and see attitude toward reform despite the timely collapse of the 1955 system, we at the section head levels cannot forgive them. We will show such seniors what a boycott is."

A young division director in the Health and Welfare Ministry threatened: "The LDP will have a very painful experience if it tries to revive the system of Diet members having special influence with particular government offices. If the LDP tries to grab power this way, we are likely to tip off Shinseito."

Proud of its monolithic solidarity, Kasumigaseki has long been considered a stronghold for those who would preserve the status quo. However, the LDP's fall from power appears to be giving rise to some strain between the bureaucrats.

Certainly, one consequence of the weak political control that resulted from the rapid succession of three administrations—Hosokawa, Hata, then Murayama within a single year—is that Kasumigaseki finds itself in a comparatively advantageous position. However, the phenomenon should probably be viewed as existing only temporarily until a new political order is established.

Kasumigaseki appears to be holding the upper hand in politics until then; but what if a serious situation, like the one that arose within MITI, surfaces in yet other ministries and agencies? Kasumigaseki could very quickly lose the base of its power.

Regarding this matter, there may be many who hold the view that it is only natural for Kasumigaseki to be thrown into turbulence when political rule changes. However, the situation occurring within MITI contains problems impossible to overlook, that is, it may erase the bureaucratic structure's positive side.

There are discussions among younger Kasumigaseki bureaucrats: "If the Murayama administration resigned after a brief stint, and the former coalition government parties re?ained political power, how would our senior officers react?" This underscores Kasumigaseki's problems.

In the United States, although all the bureaucrats are replaced along with the changes in administration, there is a clearly defined term of four years. In France and Germany, bureaucrats clearly identify the party they support.

From now on, it appears that each ministry and agency needs to work on the premise that political power will frequently change hands, and be prepared to decide unequivocally what the political stance of the bureaucracy as a whole ought to be.

Takemura Wants Cut in Government Affiliates

OW0410060294 Tokyo KYODO in English 0536 GMT 4 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 4 KYODO—The government should reduce its 92 special affiliated corporations by "one-third," Finance Minister Masayoshi Takemura reiterated Tuesday [4 October].

The reduction should be made through "liquidation, privitization or merger," he told a news conference after a morning cabinet meeting. Takemura said he renewed the proposals at the first informal discussion on administrative and fiscal reforms held after the cabinet meeting.

Cabinet ministers were split on the issue between those favoring a "one-by-one" approach, checking each corporation, and those in favor of creating a "single rule," similar to his proposals. The discussion was held in line with Prime Minister Tomiichi Murayama's speech at the Diet last Friday, in which he promised to conduct an overhaul of the special corporations. The ministers agreed that the Prime Minister's Office and the Management and Coordination Agency will work together on the plan.

Finance Minister Masayoshi Takemura, who also heads new party Sakigake, has argued that dismantling public companies would help win over Japanese voters to the government's consumption tax hike planned in 1997. The scrapping of public companies will demonstrate that the government is willing to share the pain of tax reform, Takemura says. Takemura's new party Sakigake has already issued a set of proposals for scrapping the public companies, which it estimates will cut government costs by more than a trillion yen.

Pressed by reporters to name which public corporations are to be axed, Takemura said, "I don't think there are any completely wasteful ones" but that many should be merged or rationalized. He added that liquidation or privatization are the least likely options. Takemura noted that reorganizing the public companies may mean employment cutbacks—an issue of major concern to bureaucrats who look to the public companies for post retirement jobs.

Takemura said that there was a possibility of downsizing at public companies whose roles are scaled back as a result of the administrative review.

Meanwhile, on the subject of the forthcoming issue of Japan Tobacco shares on Oct. 27, Takemura told reporters that "it was a disgrace" that the number of the lottery winners for the first public offered shares of Japan tobacco inc. Was leaked before the official Finance Ministry announcement on Friday. He said that the brokerage companies subcontracted by the ministry to conduct the actual lottery had leaked the numbers. While refusing to comment on any possible retribution the Finance Ministry might take against the brokers, Takemura promised to handle future listings more carefully and to continue working to secure the confidence of investors for the Japan Tobacco listing.

Agency Presents New 10-Year Public Works Program

OW0610023194 Tokyo KYODO in English 0203 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—A study group of the Economic Planning Agency presented Thursday [6 October] a new 10-year program calling for spending of 630 trillion yen on public works from fiscal 1995 to fiscal 2004.

The program, still subject to cabinet approval Friday, will replace the current 10-year program under which the government was to spend 430 trillion yen by the year 2000.

Like the current program, the new one gives priority to social infrastructure projects such as housing, educational facilities and sewerage systems, as well as social welfare facilities designed to respond to the aging of the nation's population, which is due to peak in the early 21st century, government officials said.

It also calls for investments that match an increasingly information-intensive society with progress in telecommunications and information technologies, they said.

Between 60 and 65 percent of the total funds will be earmarked for projects related to the living environment and culture, up from around 60 percent in the current program, they said.

The new program also contains 30 trillion yen in "flexible" funding allocations to meet changes in the economic climate and the global political situation, they said.

The government has been reviewing the current program since March when then Prime Minister Morihiro Hosokawa pledged a review under an economic reform package designed to reduce the nation's trade surplus and revitalize the sluggish economy.

The new program also meets promises made by Prime Minister Tomiichi Murayama at the Group of Seven summit in July, in Naples, Italy.

'Gist' of New Program

OW0610031494 Tokyo KYODO in English 0300 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—The following is the gist of a new 10-year, 630 trillion yen public works program presented Thursday [6 October] by a study group of the Economic Planning Agency.

The program:

—Is applied for a 10-year period between fiscal 1995 and fiscal 2004.

—Calls for spending a total of 630 trillion yen on public works projects, including 30 trillion yen in "flexible" funding allocations.

—Aims to keep the ratio of money set aside for projects related to the "living environment and culture" in a range between 60 percent and 65 percent.

—Should not be financed by funding to be left to the next generation.

—Calls on the public sector to undertake projects related to basic social infrastructure and on the private sector to carry out projects to meet highly sophisticated needs.

JCCI Head Welcomes Plan

OW0610103694 Tokyo KYODO in English 0803 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Head of the Japan Chamber of Commerce and Industry [JCCI] Kokaku Inaba said Thursday [5 October] he welcomed the draft 10-year public works program, worth 630 trillion yen, which was presented by a study group of the Economic Planning Agency earlier in the day.

"It is a good thing that the scale of public works investment has been enlarged. I hope the program is implemented in good time to help the economy recover," he said.

The program is to be started from fiscal 1995 and will replace the current 10-year program which called for 430 trillion yen in expenditures by the year 2000.

Inaba said he supports the program's aim to place priority on social infrastructure projects such as housing, social welfare and educational facilities. He noted, however, that the addition of 20 trillion yen from the current program is bad for the country's finances, and that he "hoped there will be no influence on government support for smaller enterprises."

Government To Develop Wireless Technology

OW0410113394 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Sep 94 Morning Edition p 1

[FBIS Translated Text] Ten major Japanese companies—including Matsushita Communications Industrial Co., Ltd; NEC Corporation; Sony Corporation; and NTT Mobile Communications Network Inc. (NTT

Dokomo)—firmed up a concept of jointly developing a next-generation wireless communications system called a personal digital assistant (PDA) capable of transmitting and receiving such mass storage data as dynamic images. The concept is aimed at developing high-speed wireless transmitting technology, which will pave the way for transmitting and receiving messages in dynamic images, before other countries do. It is also aimed at bringing up the multimedia movable body [idotai] communications to the international standard. The companies plan to ask the government-affiliated Key Technology Center on 30 September to invest in the joint project. The joint development company, if its formation application is approved, will start operations in March next year at the earliest. The companies want to use the joint development project as a turning-point of the competition in the area of multimedia development, in which the United States is playing a leadership role.

Other companies that plan to participate in the joint development include Hitachi Ltd., Mitsubishi Electric Corporation, Fujitsu Ltd., and Oki Electric Industry Co., Ltd. The concept is designed to form a joint development company and to complete the seven-year development project by having the Key Technology Center shoulder 70 percent of the development costs. It is expected to cost around 6 billion yen.

The companies will develop technology to produce a wireless device capable of communicating at 2-10 megabits per second. It will use microwaves with broader bandwidths than the ultra high frequency radio signals (UHF), which are currently used for cellular phones and TV broadcasts.

To use microwaves, it is necessary to improve radio wave receiving capability. Because of this, development of element technology [soshi gijutsu] will be a major task. The companies will develop various types of essential technologies. Two of these are interface technology [setsuzoku gijutsu]—which will be used to efficiently process versatile information of different speeds, such as picture, analogue and digital, and sound data—and antenna technology designed to adjust distortions caused during the process of sending radio waves through several channels.

If the wireless technology is developed, users will be able to watch news on the PDA and freely call video commercials on the PDA screen. It will also become possible to start a new service of sending video image messages. The wireless technology will be compatible with the new FPLMTS [Future Public Land Mobile Telecommunication Systems] wireless technology, which the Ministry of Posts and Telecommunication and other government organizations are studying as the next-generation wireless standard. There is a strong possibility that the wireless technology, if developed, will become an international standard technology. So far, there is no indication that the United States has started technological development in this field. However, it is expected that the United States will do so sooner or later. Therefore, it is unknown if everything will go as smooth as the Japanese companies expect. Regarding the PDA, which can dispatch and receive data anytime and anywhere, Japanese and American manufacturers are playing central roles in its development. They have started to produce first- generation PDA products capable of transmitting numeric and analogue data. However, even the PHS [expansion unknown] (personal mobile phone), which is a relatively high-speed telephone service that will start in Japan next year, has only 32 kilobits per second. Use of the PHS will be limited to only relatively simple data communications, including sound and analogue communications.

MPT To Promote Commercial Use of Millimeter Waves

OW3009114094 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Sep 94 Morning Edition p 1

[FBIS Translated Text] The Ministry of Posts and Telecommunications [MPT] plans to promote the commercial use of "millimeter waves" that are barely utilized at present. It expects that by the use of the waves, such products as on-board radar for cars, an automatic train operation system, and wireless LAN (local area network) equipment will be developed within the next year. The MPT plan responds to concerns over the possible shortage of frequencies as the demand for mobile communications systems such as cellular phones and beepers is rapidly increasing. The frequency band of millimeter waves is 100 times wider than that of ultra high frequency (UHF) waves used for cellular phones and TV broadcasting. It is possible to transmit a large amount of data by the use of the waves. The MPT expects "the commercial use of the waves will widely open the way for developing mobile communications systems that meet the needs of the emerging multimedia age," (according to the Telecommunications Bureau).

Millimeter waves' length is between 1 and 10 mm, far shorter than that of waves used for television sets, radios, and cellular phones. Such short waves are in the frequency bands of between 30 and 300 gigahertz. Millimeter waves are easily influenced by such weather conditions as rain, thus it is difficult to develop equipment that use the waves. Because of this, many countries have used the waves only in special fields such as satellite communications. Since 1984 Japan has applied them for portable wireless equipment. The MPT believes recent technological progress will enable it to promote the extensive commercial use of millimeter waves if they are used for equipment that cover a short distance of about 100 meters.

The first system to be developed by the use of millimeter waves will be on-board radar for cars to detect obstacles within a 5 to 100-meter radius. The system can also be used to maintain the distance between cars, prevent collisions, and observe a dead angle. It will use a 60-gigahertz band and require 10 mm watts of electricity.

The MPT hopes to obtain a report from the Telecommunications Technology Council (an advisory panel to the post minister) soon to establish a technical standard for the system within the year.

According to the MPT estimate, the system is to grow into at least a 300 billion-yen market in ten years (probably by the year 2005) after commercialization. Toyota Motor Corporation and Nissan Motor Corporation have already begun experiments to develop the system.

Millimeter waves are also expected to be useful for an automatic train operation system, under which a monitoring camera will keep track of passengers getting on and off trains and transmit the image to a monitor so that the train driver can safely open and close the doors by just watching it. Tokyu Corporation has expressed a desire to introduce the system. The MPT plans to arrange a frequency for the system within the next fiscal year. Millimeter waves will also be used for wireless LAN equipment to simplify information and communications systems in offices where under-floor wiring is complicated, as well as for image transmission between TV cameras and relay vehicles.

The need for mobile communications equipment is rapidly increasing. The number of car and cellular phone subscribers reached 2.13 million at the end of March, almost 10 times that five years ago. Portable handsets (PHS) are also expected to be introduced by next summer. The MPT believes that expanding usable frequencies to millimeter wave bands will help develop multimedia wireless terminal equipment.

MPT Publishes Guide on Broadcast Frequencies

942A0755A Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Sep 94 p 7

[FBIS Translated Text] On 26 September, the Ministry of Posts and Telecommunications [MPT] published the "Guide on Effective Use of Broadcast Frequencies," which will become the basic policy for broadcasting during the multimedia age. Primary features of the guide include: 1) Use of high frequency "millimeter waves" which at present see very limited use; 2) Redistribution of existing radio frequency allocations; and 3) Joint use of broadcasting frequencies and telecommunications services. In the past, broadcast frequency policy was often issued to the concerned industries on an individual basis, and this will be the first time that the MPT has issued such a comprehensive broadcast frequency guide. Reportedly, the MPT seeks the efficient use of communications frequencies in response to the rapid expansion in demand for radio waves and to stimulate programs for private-sector corporate research, development, and commercialization.

The new guide was developed in response to a proposal for the MPT to publicly disclose its policy on the use of radio waves contained in a report titled, "Technical Measures for the Effective Use of Broadcast Frequencies" released in April by the Telecommunications Technical Council, an advisory organ of the MPT. Its main goal is to secure broadcast wave frequencies for mobile communications, which are expected to continue to expand rapidly, by making changes in frequency allocations for fixed communications such as wireless stations that suffer from lagging growth, and by developing new technologies. The guide does not refer to pending issues such as the introduction of a bidding system for the allocation of broadcast frequencies nor the complete digitalization of broadcasting.

The main thrust of new technology development will center on the use of "millimeter waves" currently experiencing very limited use. The objective here is to promote the development of new types of mobile telecommunications, such as "wireless cards" which are useful in eliminating congestion on freeways, and "vehicle-mounted radar" to prevent rear-end collisions and, wireless LAN's (local area networks), which can handle the large-scale transmission of information.

Separately, the guide lists the goal of developing digital compression technology to enable higher efficiency in the transmission of information. The guide mentions a strong need to commercialize "dynamic frequency allocation technology" to flexibly change regional allocation of broadcast frequencies in use in response to the complex situation posed by various cellular telephone services.

Targeted for changes in broadcast frequencies in use are fixed telecommunications using broadcast frequencies in the 2 gigahertz range. Among private-sector firms, electrical power, gas, and railway companies use these frequencies in operational and security functions, but the guide provides for changing these allocations to ranges above 3 gigahertz and using the vacated frequencies for future public land mobile telecommunication systems (FPLMTS).

MPT Seeks Greater National Role in GII

942A0757A Tokyo NIKKAN KOGYO SHIMBUN in Japanese 20 Sep 94 p 11

[FBIS Translated Text] The Ministry of Posts and Telecommunications [MPT] has completed a plan to seek the advice of the Telecommunications Council, which will assemble in the middle of October, on the construction and implementation of the Global Information Infrastructure (GII), which is the international version of the National Information Infrastructure (NII). The objective is for Japan to research and take the lead in the area of GII measures amidst the major attention being focused on GII, which is about to exploit the multimedia age on a full scale, global basis. The report is not expected to be completed until 18 months later in the fall of 1995, but it is expected to focus on the implementation of global infrastructures, international alliances, interconnections, and protection of intellectual properties. It appears that Japan's role in realizing GII will face renewed questioning in view of the apparent early struggle for leadership between Japan, the United States, and Europe. GII was originally proposed by U.S. Vice President Gore in March 1994. Subsequently, GII was made a part of and became the focus of attention in the economic declaration at the Naples summit of advanced industrialized nations in July where the main theme was "economic growth and employment." GII is a powerful measure for developing the international multimedia age, and it will have a major impact on economic effectiveness and employment. The Naples summit produced an agreement that a G-7 cabinet-level conference will be held in Brussels. On the other hand, the Telecommunications Council in Japan at the end of May completed a report depicting a grand design for a Japanese-version NII, calling for global affiliations. Further, the MPT is initiating the conduct of a forum with Europe and the United States and the aggressive promotion of an Asian Information Infrastructure (AII) concept, which it advocates as an Asian version of NII. Additionally, schedules call for the opening of a world telecommunications cabinet meeting in Kyoto on 22 September concerning GII in connection with the International Telecommunications Union (ITU) plenipotentiary meeting and rapidly increasing activity is recently noted in an effort to demonstrate initiative in the area of GII. However, so far, GII has been limited to the conceptual stage, and work in earnest to develop specifics remains to be done in the area of applications or how it will be used and methods for interconnecting global networks. Further, it is said that international cooperation and coordination will be indispensable in the construction of the system, posing some formidable hurdles. Accordingly, the MPT decided it was necessary to research Japan's response to the situation and prepare a grand design for GII. The Telecommunications Council is expected to continue with its debate on the matter by maintaining liaison with the "Advanced Information-Telecommunications Society Promotion Headquarters," chaired by Prime Minister Murayama, which is to hold its first meeting on 20 September under government sponsorship and the Information Telecommunication Infrastructure Construction Implementation Liaison Council organized by the MPT and concerned industry sources on 14 September. Further, there is the strong possibility that countermeasures will be made a part of a report to be completed so that it coincides with the conduct of the G-7 cabinet-level meeting to be held in February 1995.

Overview, Future of Multimedia Business

OW0610014594 Tokyo SHUKAN DAIYAMONDO in Japanese 27 Aug 94 pp 26-35

[Article by SHUKAN DAIYAMONDO reporters Toshiki Inada, Hajime Fujii, and Kenji Mori: "Multimedia: Its True and False Images"]

[FBIS Translated Text] **An "Information Kiosk" Service Will Be Available at Convenience Stores: Multimedia Is a Multibusiness**

Isao Okawa, president and chairman of CSK Corp., owns a splendid resort club in Silverado [name as published], in suburban San Francisco. This club is often used as a conference hall for international meetings or as a study center for business executives.

An important three-day meeting was held there from 9 to 11 June 1994. The meeting was so impressive and so instructive that those who participated from Japan are still talking about it.

This meeting was called the "Silverado Business Conference." The Japanese participants were Isao Okawa, president and chairman of CSK; Masayoshi Son, president of Softbank Corp.; Norio Otsuyama, general manager of IBM Japan Ltd. Multimedia Enterprise Promotion Department; and the representatives of several privately owned companies. The U.S. participants were Michael Brown, chief executive officer of Caleida, a joint venture between IBM Corp. and Apple Computer Inc.; Keith Schaffer, president of Paramount Technologies; Thomas Kalinsky, chief executive officer of Sega America; and the top executives of such companies as Wave Front Regis McKenner, and Rocket Science.

Some 20 key people, who lead the multimedia business, gathered to discuss the future market. The following opinions were reportedly exchanged between them:

"Consumers are constantly frustrated. The media that can fully satisfy their desires will consequently dominate the market. The market itself will be segmented as follows: 30 percent will be held by the related hardware systems; 40 percent by the content, namely software; and the remaining 30 percent by the infrastructure for networking and distribution. Which company will target which layer of the market? That will be the question. What is important is for each to determine what they are best at."

"We are now entering the 'Sili-Wood era,' the age of collaboration between Silicon Valley and Hollywood."

"The development of new digital contents will be dominated by newly created companies and groups. The existing U.S. software distributors will also continue to play an important role, but they are not powerful enough to be the leading developers."

"As the content will be the most decisive factor, computer graphics will become a very important tool in the development of new software."

We can assess the importance of this meeting by looking at the behavior of the Japanese participants after attending it.

Softbank has been very active since it offered its stock for public subscription on 22 July, at a record price. It has reached a final agreement with Nippon Telegraph and Telephone Corp. [NTT] Data Communications Systems Corp. concerning their joint venture project. Softbank will concentrate its efforts on supplying software to three cable TV projects to be launched jointly with the NTT subsidiary. Moreover, Softbank will soon unveil its own "digital Hollywood project," which is an industry-university cooperation project aimed at fostering creators of computer graphics and video software. CSK, IBM Japan, Hitachi Ltd., and Uchida Yoko Co. will participate in this project. (U.S. universities already offer some 3,000 courses related to the development of video software. Located within easy access of Hollywood, UCLA is acting as the central figure of the "digital Hollywood" concept, supported by such companies as IBM and DEC.)

As for CSK, it has teamed up with Sega Enterprises Ltd. to provide such products as home video games and karaoke software, through personal computer networks, at a monthly price ranging from 1,500 yen to 3,000 yen. At the same time, CSK has also begun to focus its efforts on the development of object-oriented programming, which is seen as the next key technology.

Major U.S. Firms Are Turning Their Attention to Osaka Cable Television

As for IBM Japan, it established a new division, called the "New Information Infrastructure Enterprise Department," on 1 August 1994. "Multimedia is an instrument to materialize content. The hardware or the system itself is not so important. The question is: What kind of content can we supply to customers by using multimedia?" said Kenichi Yasaku, who heads the new division.

But what exactly does the word "content" mean? Speaking of multimedia, the English word "content" designates the application program or the software itself.

"How can we create a content that fits the Japanese cultural climate? That is the biggest problem. We want to quickly build a new framework under which all concerned companies will be able to work together, because we keenly feel the importance of developing such a content. We have a global budget (estimated at several billions of yen) at our disposal, so we will not hesitate to invest in venture businesses," Yasaku said.

IBM Japan also plans to launch a new service called "Information Kiosk," this autumn. IBM's information kiosks will be set up at convenience stores and gasoline stations to provide video games and music videotapes on demand. Consumers will have to copy the game or music they want on a CD or a CD-ROM disk by using a CD writer to be set up at each kiosk. They can buy or just rent the duplicated disk.

The system itself will be supplied by IBM Japan, while the sites will be provided by chain store operators, and the content by software makers, such as Sega Enterprises. This will indeed become a multibusiness for a content maker. The physical distribution cost and the inventory carrying cost used to be a big problem with CD-ROMs. However, IBM's information kiosk service will require neither such expenses nor sales promotion fees, which was usually provided to retail stores. The merit of this new service is that all three concerned parties can share a greater gross profit.

the not-too-distant future, Japanese customers will be able to receive such services at home on interactive TV via fiber-optic networks, but probably not before 2010. For the moment, IBM Japan plans to provide on-demand services through its information kiosks, at least until the end of this century.

Meanwhile, U.S. multimedia giants, including QVC Inc., which operates the largest home shopping network, are now turning their eyes to Osaka Cable Television [OCT].

There are now some 150 "urban-type, multichannel cable operators in Japan (80 percent of them are not making any profit). Their total sales amount to 56 billion yen. Meanwhile, OCT has recently posted some 80 billion yen in sales. It serves some 1.1 million households and broadcasts a total of 440 channels. Moreover, it uses a cable with a huge capacity of 0.6 gigahertz (this cable can carry 100 ordinary TV channels at once).

OCT is one of the few Japanese companies equipped with a high-capacity cable network. If such companies join hands with content suppliers, they will be able to immediately launch an American-type multimedia business in Japan.

As a matter of course, there are many regulations impeding the development of such businesses in Japan. The only way to improve the situation is to fight and win deregulation by throwing a number of accomplished facts in the face of the concerned authorities, just as OCT did.

Why does Japan have difficulty in developing quality software? Mitsubishi Electric Corp. President Takashi Kitaoka said that Japanese-made software is similar to Esperanto. Although it was conceived to be the best international language, Esperanto was branded as no good in the end. Multimedia software must be created based on the realities of life.

The "Silverado Business Conference" has made it clear that content forms the key factor and that multimedia will never develop as long as people remain passive.

Are Optical Fiber Networks Really Indispensable for Multimedia Services? Companies Show Little Interest in NTT's Multimedia Experiments

In July 1994, NTT announced that 76 companies, universities, and research institutes will participate in its multimedia experiments, which will utilize its optical fiber cable network to target individual consumers.

Project participants include such famous companies as Sumitomo Bank, Hitachi Ltd., Kajima Corp., Tokyo Gas

Co., Tokyo Marine and Fire Insurance Co., Mitsubishi Research Institute, Sega Enterprises, and KAO Corp.

NTT's goal is to "develop applications for the future multimedia age by making the most of its optical fiber network." NTT's service trials are expected to be completed by July 1997. Services that prove to be commercially practicable may be immediately launched by NTT.

This project attracted a good deal of public attention, because it was planned by the telecommunications giant, because many big companies decided to participate in it, and because this was the first attempt in Japan to develop commercially practicable multimedia applications.

"We Have No Budget for That, and Moreover, We Do Not Think There Is a Demand for Such Services"

However, the reality is that many participating companies are in fact showing little interest in the experiments. Some of them even take a pessimistic view.

There are many reasons for this. NTT provides its network free of charge, while the participating companies have to bear all the expenses needed for the development of new applications. The development cost is variable according to the content, but, at least, it will reach several tens of millions of yen. Some applications might even cost 300-400 million yen.

"Our general accounting division clearly said that our company has no extra budget for that. This is understandable. At a time when the national economy is still sluggish, we cannot afford big money just for participating in an experimental project. Since we cannot spend much money, it is certain that we will not be able to develop practicable applications," a senior officer of a financial company said frankly.

The NTT trials include a variety of attempts ranging from providing game software to remote health care and on-line shopping. However, the project does not cover the much-talked-about video-on-demand services.

The participating companies will conduct 72 trials. There is no doubt that these services will become very useful, once they are put to practical use.

Unfortunately, the participants are not highly motivated because of the above-mentioned budgetary problem.

Moreover, apart from on-line medical-image consulting services and video game services, there are not many applications that require motion pictures and high-definition pictures.

"Our next application can be perfectly used over NTT's integrated services digital network, called INS64, which is already available," a system engineer working for a servicing company said.

INS64 has a capacity of 64 kilobits, which is enough to send still pictures. Meanwhile, the optical fiber network to be used for the experimental project has a capacity of 156 megabits, which is about 2,500 times larger than the INS64's capacity.

The reality is that most applications do not require such a high- capacity network.

"INS64 is good enough. This means that if makers had found a greater demand, they would have already commercialized their applications a long time ago. In other words, applications to be tested over the optical fiber network are in fact not much in demand," the above-mentioned system engineer said in disgust.

So why do companies participate in the project? "It is because we were strongly invited by NTT to join the project. We cannot refuse this kind of invitation because of our business relationship with NTT. We decided to participate in the project for the sake of friendship," the system engineer said.

However, the expenses for being sociable can in no way be negligible, since the development cost falls on the participants.

Some companies have reportedly asked NTT if they will be allowed to give up the project halfway, depending on the situation. There is still one year before the trials begin. Many participants seem to be averse to doing this work from the beginning. Some may even leave the project before it gets started.

"Only NTT Will Come Off the Gainer in the End"

NTT's Multimedia Promotion Department explained the situation as follows: "To the best of our knowledge, only companies willing to develop new applications on their own responsibility were asked to join our project, because we know that companies that decide to participate for the sake of friendship will never buckle down to work."

It is true that some participants, including Sega Enterprises, are expecting a lot from the project. "We have been planning to provide an entertainment service that includes video games and karaoke for a long time, so it is quite normal for our company to participate in the project," Sega Enterprises said.

The following results can be expected from the NTT project: an improvement in computer networking technology and a cost reduction that will enable commercialization. There is no doubt that the project will have great significance, from the viewpoint of technology evaluation. As a telecommunications giant, NTT has to conduct experiments to evaluate computer networking technology.

However, if NTT, whose principle job is to build telecommunications networks throughout the country, becomes too anxious to develop multimedia applications, that is another question.

"NTT should rather concentrate its efforts on building its network," said some electronics makers competing in the development of multimedia applications.

NTT executives are stressing that they have left the participating companies in complete charge of the development of new applications, and that NTT has no intention to develop multimedia applications by itself. However, people do not take them at their word.

"We have already been asked by NTT if we would be interested in a joint development project. NTT seems to be very serious about multimedia applications. It has even made some proposals concerning the system structure," a senior official of a participating company said.

For NTT, there is big merit in launching a joint development project: it will be able to determine people's exact needs in multimedia and make more proposals, by utilizing the newly acquired knowledge.

Moreover, once the new applications are commercialized, this will become a big source of revenue for NTT.

This is why some participants are complaining that only NTT will come off the gainer in the end.

As many people say, Japan remains far behind the United States in multimedia, specifically in the application field, which is the most important.

The NTT project is intended to pave the way for a full-scale commercialization of multimedia services in Japan, and to catch up with the United States. NTT's enthusiasm in the project is much appreciated. The only problem is the big difference in thinking between NTT and the participants. Although "multimedia" is the word on everybody's lips, multimedia business in Japan is still mere talk without reality. The gap between NTT and the participating companies seems to reflect this reality.

Multimedia Changes the Business Environment: What Lies Behind the Multimedia Boom?

World Cup soccer was held this year in the United States. It attracted a good deal of public attention, for several reasons. Games were played for the first time at nine different venues. Many new technologies were also introduced for the first time to operate the World Cup.

A multimedia information system was built by linking some 1,000 workstations set up at different venues through a high-speed network. Everything was controlled by the system: management of more than 50,000 staff members, including volunteers; distribution of "multimedia ID cards" to all concerned people to ensure strict security; arrangement of VIPs' scheduling; inventory control of World Cup goods; and press information service, such as providing the profile of each athlete or each soccer team, and the results of each game.

Whether it concerned the operation or the games, all nine venues were able to seize every situation on the spot and share the same information through the network. The World Cup organizers decided to introduce a multimedia information system, not only because of its usefulness—for instance, the system facilitates the issuance of ID cards, and it provides information accompanied by pictures—but also because of its user-friendly environment. Although most users, namely staff members, volunteers, and journalists, were not experts in computers, they could easily use the system.

A multimedia system can be manipulated more intuitively than an ordinary computer system. Moreover, users can even enjoy using it. These merits induced the World Cup organizers to introduce a user- friendly information system.

The World Cup multimedia information system gathered today's high technology of the first class: Sun Microsystem's workstations, Sybase's database and multimedia interface, and Electronic Data System's know-how concerning system integration. The World Cup showed a new way of doing business in the multimedia age.

Amid the boom, the word "multimedia" is easily used when speaking of various kinds of products, ranging from portable electronic notebooks and CD-ROM game players to optical fiber cable networks. Multimedia's public image lacks uniformity. This is why Japanese people are having more difficulty in understanding the word "multimedia," which is already complicated in itself.

To our surprise, many Japanese people are not yet aware that multimedia is, first of all, an innovation that will completely change the existing business style and the way companies should be.

"Interactivity" Is the Key Word for Multimedia

The word "multimedia" emerged when computers, which could only process text and numerical data, became able to handle pictures, photographs, sound, and even video.

Computers can now process multimedia information. What kind of new possibilities will they bring about? Here comes the new concept of "interactivity."

The word "interactivity" is translated in Japanese as "intercommunication" or "two-way communications." It indicates an attempt to transform computers from simple data processing machines into a global system serving as an intermediary between people. The use of an object-oriented interface, which has become popular with Apple's MacIntosh computers, proves this trend.

The term "multimedia" automatically refers to "interactivity." The term "interactive TV" might be easier to understand, if Japanese people want to seize the image in contrast with the existing media. In the United States, TV stations providing on-demand videos, on-line shopping, and other telecommunications services are in fact already called interactive TV."

These interactive services are also drawing the attention of Japanese people. However, they are nothing but substitutes for existing services, such as rental video business and mail-order business. These services are still at the experimental stage even in the United States, where the cable industry is already highly developed. It is still unknown when these services will be fully commercialized in the United States. There is no doubt that Japan will take much more time in putting them to practical use, since it has no grounding in this field.

Multimedia for Business Use: It Promotes Reengineering

Meanwhile, some multimedia applications are immediately practicable for business use. At this moment, businessmen are the main target of multimedia. U.S. companies are now vying with one another in switching to computer-supported cooperative work and in getting access to such computer networks as Internet. This move can be understood from the viewpoint of multimedia for business use.

What is the merit of using multimedia for business? Let us see first how the use of computers has changed within a company.

Computers were first introduced to the data processing division. Then, they came into general use within the company. They are widely used not only by experts, but also by ordinary office workers. In the United States, even business executives, specifically those working for the high-tech industry, manipulate computers by themselves. The "rebirth" of U.S. companies was supported by an intensive use of computers.

U.S. companies had laid off a considerable number of workers during the recession. However, at the same time, they had introduced a considerable number of computers into their offices. Companies that are unable to equip themselves with computers from top to bottom can no longer keep pace with the current of the times.

As the World Cup example shows, the merit of a multimedia system is the fact that even nonexperts can use it to the best advantage. Multimedia's biggest impact is the unlimited generalization of computers.

In the United States, the productivity of white-collar workers is considered to be highly dependent on the use of computers. To improve productivity, it is necessary to form a flat and flexible organization that can be easily reorganized and divided into different project teams. Such an organization becomes possible through the introduction of a computer network system.

Hierarchies created by secretiveness will no longer exist in such organizations, as everyone, from top to bottom, will share the same information. Until now, someone assigned to a new project had to have contact with each member to grasp the project in its totality and have a proper understanding of his duties. However, the time for contacting others can be saved if all related information can be shared at once thanks to a computer network. Once information about each worker's skills can be made public and can be shared by everyone, companies will be able to employ their staff members efficiently.

Since all project members will be given a free hand, each member's judgment will become decisive. Until now, businessmen had to hold face-to-face negotiations with their counterparts, discuss the results with their superior officers, go back to their counterparts, etc. Such a slow procedure is no longer suitable for today's business. Today, business negotiations have to be concluded quickly: face-to-face negotiations are held only until the concerned parties agree in principle; once the framework is fixed, the details are discussed through an intensive exchange of electronic mail. That is the speedy way of doing business today.

The management staff is asked to come up with a clear vision and assume strong leadership in each project. A project team will no longer be formed according to the existing organization chart. Each time, a new team will be created freely, and it will be dissolved right after the project's completion.

The only way to cope with changes in the business environment and the speedup in business procedure is to promote "democratization" within the company through the utilization of computers. Everyone in the United States is fully aware of this.

The Exchange of Information Between Companies Is Also Becoming Important

The exchange of information between staff members through computer networks has almost become routine in the United States. Now, the next point is whether the same thing can be done between companies. It is a matter of course that orders can be handled through computer networks. Now that outsourcing has become so popular, manufacturers have to work with their clients from the design stage. They have to keep in close contact with their clients so that they can provide accurate services. Building an efficient system that ensures a speedy exchange of information between companies and their clients or partners has become essential. Again, here comes the "multimedia's user-friendly environment."

Sybase, a database software maker whose system was used during the World Cup, is now promoting a new concept called "extended enterprise." It aims to extend its internal computer network to its clients and partners, and even to individual consumers. The exchange of information will become possible inside and outside the company. As a matter of course, this will help simplify business procedures. The company will also be able to get a hint about the future business environment through the extended network, as it will certainly appeal to its potential clients. Moreover, the extension only requires existing technologies that are already in practical use.

The extension becomes possible by linking up with other computer networks. The global Internet network has become the object of attention in the business world, because it works as a "public computer network" in the same way as a telephone network. Internet continues to grow rapidly, connecting computer networks all over the world. The Internet boom has now spread throughout the world. Its rapid popularization was supported by a multimedia software called Mosaic.

The most important point is that Internet access lets users communicate with electronic pen pals anywhere in the world. Internet provides low-cost exchange of multimedia information among its users, some 20-30 million people. Internet still has some problems on the security side. However, its merits considerably outweigh its demerits.

Turning even the recession to their own advantage, U.S. companies successfully improved the productivity of white-collar workers through computerization. It is not so easy to do the same in Japan. Japanese companies should first begin doing what they can.

If they continue to wait until they can get a complete set of ready-for-service systems, they will be unable to catch up with other advanced companies, and they will drop out of the international business society. Experts propose that Japanese companies should start by introducing a multimedia system to their accounting section.

The Real Impact of the "Information Superhighway" Concept

Japan remains considerably far behind the United States in terms of advanced information and telecommunications infrastructure. The "information superhighway" concept, which was advanced by the Clinton-Gore administration, considers advanced high-speed telecommunications networks as part of the social infrastructure. However, what does "social infrastructure" mean in the United States? The answer can be found easily by looking at the existing superhighway system and telephone network. U.S. superhighways are in principle toll-free. Regarding telephone charges, many different services are available, but most Americans subscribe to a system that allows them to make local phone calls, as many as they like, for a fixed monthly fee of some 20 dollars. The understanding that a social infrastructure must be "available anywhere, to anyone, at a low price" is deeply rooted in the minds of American people.

Meanwhile, when we turn our eyes to Japan, where public utilities charges are expensive, we notice a fundamental difference between Japan and the United States in the concept of "social infrastructure." Unfortunately, there is a great possibility that Japan, as an information society, might fall far behind the United States in the near future because of this difference.

There is also one more infrastructure element that is indispensable for the realization of a multimedia society, and that is the awareness of the people who use the system. It is meaningless to introduce computers or interactive TV services if no one is capable of mastering these systems. A multimedia society will take shape only when people become able to dispatch, receive, and process information by themselves, and to judge each situation by themselves. In other words, multimedia is the medium for people who have become self-aware in a modernistic way. This is why multimedia is much-awaited in American society, and this is also why multimedia may not spread widely in Japanese society, as it will in the United States. The best and shortest way to raise the Japanese people's self-awareness is to induce them to do what they can first.

JTB Joins Sprint To Offer Telephone Services

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[FBIS Translated Text] JTB (Japan Travel Bureau; Isao Mitsuhashi, president) will form a joint venture with a U.S. long-distance carrier to become the first member of the travel industry to launch an international telephone service. The joint venture will offer inexpensive telephone call services between principal nations in the world via the global telephone network of Sprint International (Kansas City). It will solicit user membership among overseas travelers and corporate personnel who make frequent overseas business trips in providing auxiliary services such as Japanese-speaking operators, telephone calls with interpreter assistance, overseas directory services, and emergency services in the event of illness. Such services have been initiated under the title of "JTB PhoneCard." Use of the service involves a call to a designated toll-free access number in Japan or any major nation worldwide and a response from a recorded Japanese-language message or a dedicated operator. The call is connected with the number called when the caller furnishes the operator with his membership number and the number being called. Service areas include direct-dial international telephone calls from the 48 U.S. mainland states to Japan, international telephone calls between principal overseas countries, domestic telephone calls in Canada and the United States including Hawaii and Guam, and international telephone calls from Japan to the United States. Reportedly, in comparison to normal international telephone call rates for a five-minute call to Japan from overseas, the rates will be lower by 27 percent from the United States, 41 percent from Great Britain, 36 percent from France, 24 percent from Australia, and 30 percent from Japan to the United States. Further, monthly usage fees will be withdrawn in yen from bank accounts specified by users. Also, auxiliary services offered to members include 24-hour interpreter services between Japan and the United States and within the United States and Canada, and restaurant and shopping directory services, limousine and translator dispatch services, and JTB illness and accident support services in 33 international cities. The venture in Japan will be in charge of JTB Pal Service (President Hiromi Ishikawa, Telephone: 03-5992-3551, Tokyo-to, Toshima-ku, Higashiikebukuro 4-39-11) of the JTB Group. The agreement with Sprint is for a three-year duration and is an exclusive agreement that rules out participation by other Japanese travel companies. Solicitation of potential members will target individuals who use international telephone services such as corporate employees who travel abroad on business trips and students destined for short-term student status at foreign colleges, both of whom are JTB clients.

Article Views Cost-Effectiveness of TMD

OW0110145494 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Sep 94 Morning Edition p 2

["Weather Vane" article by NIHON KEIZAI SHIMBUN editor Hisaki Ina: "What is TMD's Cost-Effectiveness?"]

[FBIS Translated Text] The use of only 20 million yen may become a major political issue in the final stage of budget compilation in December. This is the amount the Defense Agency [DA] incorporated in its budget request to investigate the possibility of introducing the Theater Missile Defense (TMD) system.

It is well-known that Iraq used Scud missiles during the Gulf war. As the Iraqi case indicates, a proliferation of ballistic missiles among third world countries has become a matter of concern in terms of maintaining security. North Korea's possession of the Nodong No. 1 is being talked about in Japan. However, the TMD of the United States is a system designed to intercept ballistic missiles by using information from satellites and other sources.

Reaction to the idea of introducing the TMD system are divided partially because its details are still unknown. A report prepared by a panel studying defense issues, which is a private advisory organ to the prime minister, actively supports introduction of the system. However, the "Challenge to Peace," which is a new security policy of the Social Democratic Party of Japan [SDPJ], says the party would "not approve introduction" of the TMD system because its "cost-effectiveness is still unknown." The Finance Ministry, which holds the power of approving budgets, is instinctively wary of the "research expenditure" because there is a possibility that the DA may ask for a huge amount of project funding later.

It is a sound idea to study cost-effectiveness before actually introducing something new. In this sense, the SDPJ is right. To study the cost-effectiveness, however, it is necessary to clarify first what the "cost" and "effects" are.

In case of large-scale systems like the TMD, cost-effectiveness may have both narrow and broad meanings.

Cost in narrow sense is the actual amount of budget needed for an introduction of the system. Cost in the narrow sense plus political cost, which will be needed at the time of actual introduction of the system, is the cost in a broad sense. In other words, this is the energy needed for lobbying at home and persuading other countries in case they oppose budget appropriation for an introduction of the system.

On the other hand, the effect in a narrow sense is the effect from a purely technological viewpoint. In the case of TMD, it is the probability of intercepting ballistic missiles. The system's deterrent potential and political functions, including a symbolic gesture as a member of the alliance, may be included in the broad sense.

It is not necessarily clear whether the discussions of the past were made on the basis of cost or effect. It seems that discussions in general are made while taking the cost-effectiveness into consideration in narrow sense. But even such general discussions are difficult to hold at this stage.

First, we do not know how much the TMD system will cost. It will become clear sooner or later. But the problem is how we can measure its effect. After all, weapons' performance can be measured only on actual battle fields.

Ground-to-air Patriot missiles, which provided the fundamental concept of TMD, was used for the first time during the Gulf war in 1991. Contrary to its reputation during the Gulf war, the outcome of congressional investigations are widely accepted now. The congressional report says that the Patriot's interception capability was not that great.

As compared to this, at least two counterarguments are being made. One argument takes a technological viewpoint, saying that the Patriot was originally designed to intercept aircraft. Another argument, which is the most widely accepted view, notes its effect in a broad sense.

Fearing that the Gulf war would turn into a war between Arab nations and Israel, the Bush administration urgently deployed Patriot missiles to Israel. The assistant secretary of state and assistant secretary of defense stayed in Israel, as if hostages in a way, and made the Israeli Government practice self-control. Patriot missiles had the political effect of making Israel feel at ease.

What we face in Japan when we talk about the effect of TMD in a broad sense is the traditional gap of understanding between Japan and the United States over the security system.

The gap in understanding is whether the Japan-U.S. Security Treaty is for protecting Japanese territories or maintaining stability in the Far East, including Japanese territories. Japan puts emphasis on the former, but the United States attaches importance to the latter. Because of this, the former is talked about in the Article 5, and the latter in Article 6 of the security treaty.

As far as the United States is concerned, the Japan-U.S. Security Treaty is one of its treaties of alliance with

Asian countries. It is true that the U.S. Forces in Japan are stationed in such a way that they can keep an eye on broader areas than just Japan.

When the security treaty was signed, Japan was taking the line of attaching importance to keeping a small army and to economic development, and Japan wanted to avoid the possibility of being involved, together with the United States, in disputes abroad. Perhaps this was a decision based on the concept of the Cold War period during which the United States kept strong military power, Japan's economic power was small, and Japan was interested only in its own territories.

Time has passed and the relations of mutual coexistence between Japan and the world economy have deepened. Also, it has become an undeniable fact that stability, not only in Asia but also in the Middle East, is a precondition to Japan's existence or prosperity. Is it appropriate for Japan to speak only from a viewpoint of defending its own territories when the United States is calling for Japan's cooperation in building a global TMD system?

Discussions on TMD's cost-effectiveness are too complicated. But it is too hasty a conclusion to "refuse to have discussions because we do not know enough about it." It is not a sincere attitude either.

Mitsubishi Firms Merge, Form Largest Chemical Maker

OW0110025794 Tokyo KYODO in English 0235 GMT 1 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 1 KYODO—Two Mitsubishi group chemical firms merged Saturday [1 October] to create Japan's largest chemical maker.

Mitsubishi Kasei Corp., Japan's top comprehensive chemical maker, and Mitsubishi Petrochemical Co., the country's largest petrochemical manufacturer, merged to form Mitsubishi Chemical Corp.

With combined sales of more than 1 trillion yen and 14,000 employees, the new company is the nation's largest chemical producer.

At an inaugural ceremony, Akira Miura, former president of Mitsubishi Petrochemical, who heads the new company, said the merger is not a goal but the start of the company's global expansion.

Private Group Urges Scrapping of Land Value Tax

OW0410110794 Tokyo KYODO in English 1034 GMT 4 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 4 KYODO—A private study group urged the government to scrap the land value tax in a report released Tuesday [4 October], saying it is deterimental to the economy and no longer needed in light of falling land prices.

The study group, commissioned by real estate industry organizations, said the national tax is no longer relevant as a factor in preventing land prices from reaching abnormal heights since prices are already falling.

It said the taxation deters redevelopment of cities because the tax burden falls mainly on corporations such as developers and not on housing and farming estates.

As for the fixed-property tax, a local tax, the group said that local governments should lower the tax rate in accordance with their financial conditions.

Further Rationalization of Land Prices Urged

942A0734A Tokyo MAINICHI SHIMBUN in Japanese 23 Sep 94 p 5

[Editorial: "Land Prices: Be Sure To Clean Up Bubbles"]

[FBIS Translated Text] It appears that the recession has finally bottomed out, but land prices continue to fall. However, there are signs that residential land price declines are narrowing, but commercial land prices are still registering major declines and there is no sign of a bottom.

According to the "Prefectural Land Price Survey" conducted as of 1 July each year by the prefectural governments, average land prices nationwide have fallen for three years and, in the three major urban areas of Tokyo, Osaka, and Nagoya, where prices climbed sharply in connection with the bubble, have fallen for four years. Of special note is that commercial land in Tokyo has fallen by more than 20 percent for two years in a row.

Despite such declines, land price levels in the three major urban areas are currently 1.5 to 1.8 times the levels for both residential land and commercial land prices during the relatively stable period around 1983. However, since the nominal domestic product has risen 1.7 times in about the same period of 1982 to 1993, it can be said that land price levels have pretty much been adjusted to the point where they no longer reflect the inflationary effects of the bubble.

However, such developments do not mean that land prices have reached appropriate or proper levels. Most likely, no one feels that land prices prevailing before the bubble were at desirable levels. Land prices in the Tokyo area were always excessively high and, even if they should fall to levels that would have prevailed "without a bubble," we cannot simply welcome that as a favorable trend.

One criterion indicating that land prices have not fallen to desirable levels is the price of newly offered 70-square-meter condominiums in Tokyo. According to the National Land Agency, the price of such a condominium was 65 million yen in 1990; it fell to 49 million yen in 1993, or from 8.5 to 5.8 times the average annual salary of workers in the Tokyo-Yokohama commuting area. However, the figure is some distance above the goal of "homes valued at five times annual salary" envisioned in the "Five-Year Plan To Become a Lifestyle Superpower."

In viewing the situation from the standpoint of land transactions for residential land located adjacent to major metropolitan areas, transactions began to pick up from the first half of last year and land price levels converged with actual bid prices. In contrast, prices for commercial land have fallen by one-half from their peak levels, but very few sales are taking place. In essence, this means that individuals who need commercial land have made the assessment that current prices are excessive in comparison to their commercial value. We can say that the symptoms of the bubble economy will not be completely eliminated until commercial land prices fall to a level where they cause real demand to come into play.

Demand are being made that the land tax system be relaxed out of fear that the fall in land prices may have an adverse effect on the economy, but rash changes should not be made. We are at a stage where cautious "measures" must be taken to ensure liquidation of the bubble and establishment of stable land prices.

Frenzied land prices not only upset the Japanese economy, but the psychological well-being of the public. We must not allow a recurrence of the situation. Policy authorities must have learned an abundance of lessons, but it is most important that they embrace macroeconomic management techniques so as to avoid future bubbles. In that respect, the Bank of Japan has a critical role as the controller of financial policy.

Another basic issue is excessive centralization in major urban areas. Although the trend towards the bubble phenomenon relative to land prices manifested itself nationally, land price rises in areas other than the three major urban areas were modest overall. This fact reflects the core cause for land and land price issues. We must make continuing efforts to correct excessive concentration in major urban areas, especially in relation to the Tokyo area.

The correction of bubble land prices should be used as a means to promote the dismantling of the "almighty land society" which benefits landowners without any commensurate labor.

North Korea

Russia's Zhirinovskiy, Delegation Continue Visit

Tour Pyongyang Vicinity 4 Oct

SK0510055394 Pyongyang KCNA in English 0457 GMT 5 Oct 94

["Sojourn of Delegation of Russian Liberal Democratic Party in Pyongyang"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA) - The delegation of the Russian Liberal Democratic Party headed by Chairman V.V. Zhirinovskiy visited Mangyongdae and went round various places of Pyongyang Tuesday.

After visiting President Kim Il-song's old home at Mangyongdae, Zhirinovskiy said that the home vividly showing the birth of the great leader Comrade Kim Il-song and the course of his growth as a revolutionary and the then life of the Korean people is a historic place of significance.

"It is, indeed, an important work to preserve well the revolutionary and historical mementoes giving good knowledge of the life of the great leader", he said, adding:

"It is because there are the roots of revolution at this historical place. Here the new generation will assiduously learn from the revolutionary history of Comrade Kim Il-song and will not allow any mistake and deviation in the revolutionary struggle.

"I hope that the Korean people will build better and more splendidly not only Mangyongdae but all other historical places associated with the revolutionary activities of the great leader Comrade Kim Il-song so that many people could actively learn from his revolutionary idea."

He visited the tower of the chuche idea and wrote in visitor's book: "The idea of Comrade Kim Il-song and his feats inspire the Korean people to achieve greater successes in the work for reunifying the country, overcoming all difficulties."

The delegation inspected the three revolution exhibition, the May Day Stadium, Pyongyang Metro and the Mangyongdae School Children's Palace and saw an acrobatic show.

News Conference Reported 5 Oct

SK0610111694 Pyongyang KCNA in English 1035 GMT 6 OcT 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The visiting chairman of the Russian Liberal Democratic Party, V.V. Zhirinovskiy, was interviewed by reporters here Wednesday [5 October].

The members of the delegation of the party were present at the press conference.

Giving his impressions of his Korean visit, Zhirinovskiy said the great achievements made in Korea are a brilliant fruition of the wise guidance of the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il.

He said:

"Through our current visit, we have seen the true appearance of the Democratic People's Republic of Korea where excellent policies are in force and genuine democracy has been established.

"What impressed us most deeply is that the issue of the continuity of politics and leadership has been successfully solved in your country. With the continuity of leadership solved and politics remaining consistent, Korea is advancing along the road of their choice without turns and twists, confrontation and discord of opinion, though there exist other parties beside the Workers' Party of Korea.

"Korea has laid economic foundations enough to make anything necessary for it when it determines to do."

Noting that there are neither jobless people and beggars nor homeless and hungry people in Korea, he said it is the biggest achievement that the DPRK has resolved what has not been solved in any other countries.

Zhirinovskiy said the day will surely come when the U.S. forces are withdrawn from South Korea and Korea is reunified."

He said that while visiting Panmunjom, he saw the admirable ideological and spiritual world of soldiers of the heroic Korean People's Army.

Pointing out that the Korean children are the happiest in the world, he said: "Though there are many countries where 'democracy' is said to be displayed and market economy developed, their children are not as happy as the Korean children."

"We believe that the Korean people will as ever defend their happy and stable life and make greater achievements under the wise guidance of the dear leader Comrade Kim Chong-il and we will learn from all the achievements of your country," he declared.

"Korea is the only country that has made great achievements in direct confrontation with the United States, an empire of evils, for nearly 50 years.

"The day will surely come when the evil United States ruins and the Korean people win.

"It is not without reason that we have come to Korea with a big party delegation comprising many lawmakers. We are here to learn because your country is an oasis to the world people.

"We firmly believe that your leadership will keep to its consistent, experienced and tested correct line, strictly ensure the continuity in politics, preserve and further develop all the wonderful things you have built so far."

Zhirinovskiy said the Democratic People's Republic of Korea, which follows a man-centred political philosophy, is a most stable society, a country with its own civilisation and a society with the highest mental and moral values. He went on: "We think the moral value of all your achievements is most humanitarian and democratic and it is so realistic as to defy comparison with the 'living standard' of the western countries.

"Capitalist society is by no means a happy society. In this society, people live with no hope for the future, weighed down with worries about housing, job, food, clothing, education and medical treatment. It is on no account a society for all people.

"The 'creations' of the west have been won, in essence, through war and plunder and looting of other countries.

"Korea has not ever invaded other countries historically. The Korean people are the most industrious people.

"You were liberated from the yoke of Japanese imperialism, repulsed the aggression of the United States and are not affected by the ideological influence of the west and are not involved in 'reforms' recently born in Russia.

"This shows that your ideology and system are the most solid. Your ideology is the best one, which all people should accept.

"We think we must know what to do by learning a lot from the chuche idea.

"We will always remain the best friends of the Korean people."

U.S. Presence in South Denounced

SK0610053894 Pyongyang KCNA in English 0433 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The delegation of the Russian Liberal Democratic Party led by its chairman V.V. Zhirinovskiy visited Kaesong area on Wednesday.

After going round Panmunjom, Zhirinovskiy said: "The presence of the U.S. troops in South Korea is the main obstacle to the solution of the Korean question.

"The United States is an empire of evils which brings only misfortunes to every part of the world.

"The policy of strength and violence are the American way of life.

"The Korean people including students in the South all demand the withdrawal of the U.S. Forces and want their country to be reunified.

"We fully support the concept of Pyongyang, hoping for Korea's reunification according to it, and will make every possible effort for its realization.

"It is because Korea is strong that the U.S. imperialists dared not provoke Korea even though they have been stationed in South Korea for nearly 50 years."

"The Korean People's Army is a model of steadfastness and bravery."

The delegation also saw the concrete wall built by the U.S. imperialists and the South Korean puppet clique in the area south of the Military Demarcation Line.

Zhirinovskiy said the concrete wall barring people and even animals from coming and going, is a wall of division.

"The Korean people will surely reunify the country under the leadership of dear Comrade Kim Chong-il, true to the behests of the most sagacious leader Comrade Kim Il-song," he said.

He stressed that the road taken by the Korean people is the most correct one.

Meet With Assembly Chairman Yang

SK0510001494 Pyongyang KCNA in English 2210 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—Yang Hyong-sop, alternate Politburo member of the Central Committee of the Workers' Party of Korea and chairman of the Supreme People's Assembly, met and had a friendly conversation with the delegation of the Russian Liberal Democratic Party headed by its chairman V. V. Zhirinovskiy who is also chairman of the faction of the Russian Liberal Democratic Party in the state [word indistinct] of Russia, at the Mansudae Assembly Hall today when the latter paid him a courtesy call.

Present on the occasion were vice-chairman of the Supreme People's Assembly Paek In-chun and officials concerned.

Zhirinovskiy told Yang Hyong-sop that the reality of Korea which has registered only national development in stability without any internal disturbance or upheaval for nearly 50 years shows Korea has an ideology uniting the entire people in one purpose, a correct line and an excellent leadership. The Korean people lead a happy life without worries about food, clothing and housing, he added.

The achievements made by the Democratic People's Republic of Korea show that the Workers' Party of Korea and the Supreme People's Assembly are doing their work well, aid the chairman of the Russian Liberal Democratic Party.

He expressed the belief that the deputies to the Supreme People's Assembly of the DPRK will reunify the country and perform their work for the welfare of the people more successfully in the parliament of a unified Korea, true to the idea of the great leader Comrade Kim Il-song and under the wise guidance of the dear leader Comrade Kim Chong-il.

Meet Social Democratic Party Head

SK0510065894 Pyongyang KCNA in English 0500 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—Kim Pyong-sik, chairman of the Central Committee of the Korean Social Democratic Party, met and had a friendly talk with the delegation of the Russian Liberal Democratic Party led by its Chairman V.V. Zhirinovskiy, at the People's Palace of Culture on Tuesday when the latter paid him a courtesy call.

Present on the occasion was Kim Yong-ho, vice-chairman of the KSDP Central Committee.

Zhirinovskiy said he felt, seeing the Korean-style society during his visit, that it is a society which provides the citizens with welfare. The DPRK has the most correct mode of politics, he said.

This excellent mode of politics has brought great success, he noted, saying: "Korea has a distinguished leader, an excellent society and a wonderful history."

He said his party would further develop friendly and cooperative relations and contacts between the two parties.

Meet With Yi Chong-ok 5 Oct

SK0610042294 Pyongyang KCNA in English 0412 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—Yi Chong-ok, Politburo member of the Central Committee of the Workers' Party of Korea and vice-president, met and had a friendly talk with the delegation of the Russian Liberal Democratic Party led by its chairman V. V. Zhirinovskiy, at the Mansudae Assembly Hall on Wednesday.

Zhirinovskiy said that their current visit to Korea was successful.

He said the Korean people have made phenomenal achievements in building socialism under the wise leadership of the dear leader Comrade Kim Chong-il.

Comrade Kim Chong-il led the party and state affairs of Korea as a whole when the great leader Comrade Kim Il-song was alive, he noted, saying:

"Korea is dynamically advancing towards socialism without any storm and ordeal after suffering a big loss with the death of the great leader."

Visiting South Student Views Kim Il-song Film

SK0410060494 Pyongyang KCNA in English 0443 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—Student Choe Chong-nam, co-director of the secretariat of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon), who came here to participate in the ceremony for the completion of the reconstruction of the tomb of Tangun, appreciated the documentary film "The Great Leader Comrade Kim Il-song Is Immortal" at the Taedonggang House on Sunday, together with overseas compatriots staying in the homeland.

Choe Chong-nam felt deep grief at the death of the great leader, the lodestar of national reunification, seeing the fellow countrymen in the North wailing bitterly, overcome by sorrow.

Earlier, he heard a lecture on the subject "On Tangun, the Father of Our Nation".

Visits Statue of Kim Il-song

SK0410105994 Pyongyang KCNA in English 1019 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—Choe Chong-nam, delegate of the South Korean Federation of General Student Councils (Hanchongnyon), who has come to Pyongyang to participate in the memorial services to be held on the lapse of one hundred days after the death of the great leader President Kim Il-song and the ceremony for the completion of the reconstruction of the tomb of Tangun visited the statue of the president on Mansu Hill this morning and laid a wreath before it and honored his memory.

Hanging on the wreath was the unified flag symbolic of the reunification of Korea.

Written in the upper part of the flag with a Korean map printed blue on the white background are letters reading "In memory of President Kim Il-song" and in the lower part are letters reading "From the South Korean Federation of General Student Councils. October 4, one year before the year of reunification."

Choe Chong-nam observed a moment's silence in memory of President Kim Il-song, the lodestar of national reunification and the great sun of the nation, who devoted his whole life to the independent, peaceful reunification of the country and for the freedom and happiness of the people.

He has come here as a mourning delegate representing the will of the one million students under Hanchongnyon desirous of national reconciliation and reunification. He began his activities before the one hundredth-day memorial services for President Kim Il-song with the laying of the unified flag of the Korean peninsula before his statue.

Attends Scientific Symposium

SK0610092894 Pyongyang KCNA in English 0441 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The Second Scientific Symposium on King Tangun and Kochoson (ancient Korea) opened here on Wednesday [5 October].

Attending the symposium were historians, archaeologists, linguists, university teachers and men of the press.

A student of Seoul National University, Choe Chong-nam, who is the delegate of the South Korean Federation of General Student Councils and co-director of the Secretariat of the National Alliance of Youth and Students for the Country's Reunification, was also present.

Present there were also overseas compatriots who came to the socialist homeland to participate in the ceremony for the completion of the reconstruction of the tomb of King Tangun. Among them were a delegation of Koreans in Japan led by Vice-chairman of the Central Standing Committee of the General Association of Korean Residents in Japan Kwon Son-hwi; Chairman of the Association of (South) Korean Literary Men in Japan Kim I-pak; Dr. Mun To-pyong, professor of Osaka University of economics and law; manager of Yongsang Hanul Yi Ui-chik; advisor to the North America-Korea Friendship Association Han Mu-hak; Director of the Secretariat of the International Taekwon-to Federation and Chairman of the Washington Federation for National Reunification Cho Tae-song; and chief of a section of the American Institute of the Idea of Independence Kim Hyon-hwan.

The participants observed a silent tribute to honor, in most humble reverence, the memory of the great leader President Kim Il-song, the peerless patriot and the sun of the nation who found out and glorified the ancestral father of the Korean nation and its 5,000-year long history.

Expected to be read at the symposium are papers elaborating on part of the achievements our scholars have made in intensive unearthing and studies of Kochoson relics in the areas around Pyongyang in the past one year under the leadership of the Workers' Party of Korea, in hearty response to the instructions given by President Kim Il-song in September last year to further deepen the studies of the history of King Tangun and Kochoson.

Those who read their papers including academician, Prof. and Dr. Kim Sok-hyong, president of the Academy of Social Sciences, referred to the validity and vitality of the great leader Comrade Kim Il-song's teachings on deepening historical studies of King Tangun and Kochoson and to the wisdom of the leadership of the dear leader Comrade Kim Chong-il.

They gave profound explanations about some problems arising in systematizing history of Tangun's Korea from the stand of chuche, and about the results of unearthing and studies of historical sites and relics of King Tangun and Kochoson.

The symposium will continue.

Meets DFRF Presidium Member

SK0510063594 Pyongyang KCNA in English 0502 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—Yo Yon-Ku, presidium member of the Central Committee of the Democratic Front for the Reunification of the Fatherland [DFRF], met with Choe Chong-nam, delegate of the South Korean Federation of

General Student Councils (Hanchongnyon), at the People's Palace of Culture on Tuesday.

Choe Chong-nam came to Pyongyang to participate in the memorial services on the lapse of one hundred days after the death of the great leader President Kim Il-song and the ceremony for the completion of the reconstruction of the tomb of King Tangun.

Yo Yon-Ku received the delegate with warm feelings of kinship and conversed with him in a cordial atmosphere.

Inspects Ssuksom Historical Site

SK0610054694 Pyongyang KCNA in English 0500 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—Choe Chong-nam, delegate of the South Korean Federation of General Student Councils (Hanchongnyon), who has come to Pyongyang to participate in the memorial services on the lapse of one hundred days after the death of the great leader President Kim Il-song and the ceremony for the completion of the reconstruction of the tomb of King Tangun inspected the Ssuksom revolutionary historical site on Wednesday.

The site is known as a place where President Kim Il-song performed undying feats in the history of the united front movement of the nation, where he had historic talks with patriotic figures of South Korea who had attended the joint conference of representatives of political parties and public organisations in North and South Korea in Pyongyang in April 1948.

After making a round of the site, the delegate wrote in the visitor's book: "After seeing the site, I felt that the students should wage a more staunch struggle."

On the same day he visited the Patriotic Martyrs Cemetery and laid a bunch of flowers in memory of patriotic figures including Kim Kyu-sik who died while struggling for national reunification.

He also went round the May Day Stadium with 150,000 seats situated on Nungna Islet of the Taedong River.

SDP Urges ROK To Allow Tomb Ceremony Visits

SK0610054294 Pyongyang KCNA in English 0456 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—A spokesman for the Central Committee of the Korean Social Democratic Party [SDP] released a statement Wednesday denouncing the South Korean authorities for barring figures of political parties and organizations of South Korea from visiting Pyongyang to participate in the ceremony for the completion of the reconstruction of the King Tangun's tomb.

With the tomb of the King Tangun, the father of the nation, reconstructed and the ceremony for the completion of its reconstruction scheduled, we sent letters to figures of political parties and organizations of South Korea inviting them to the ceremony and the King Tangun's reconstruction committee postponed the date of the ceremony so that they may participate in it, the statement says, and continues:

When Koreans overseas have come to Pyongyang across continents and oceans to participate in the ceremony, there is no reason that compatriots cannot come here from the South within a hailing distance.

The problem is that the South Korean authorities do not allow figures of various circles to participate in the common event of the nation.

It is not too late now.

The South Korean authorities must promptly allow them to visit Pyongyang.

If they persistently keep them from participating in the ceremony, it would clearly show once again that they are a group of traitors ignorant of the ancestor, the nation, courtesy and morality.

We express the hope again that South Korean figures will participate in the ceremony in defiance of obstructions and persecution by the authorities.

ROK Intellectuals 'Deeply Revere' Kim Chong-il

SK0410103094 Pyongyang KCNA in English 0958 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—The intellectuals and students of South Korea feel deeper reverence for the dear leader Comrade Kim Chong-il, the Seoul-based radio Voice of National Salvation reported.

Prof. Pak of Pusan National University on September 11 told students who called on him in sickbed:

"Today the world people deeply revere and highly praise general Kim Chong-il who is standing at the high commanding post of the era of independence. Anyone who wants to be a dignified member of our era must trust, uphold and follow only respected General Kim Chong-il.

"Beyond comparison is the pride of the nation of Tangun in being led by General Kim Chong-il, who is outstanding in ideology and leadership and who has an iron grit and will and brilliant commanding art.

"The harmony of the nation and the future of a unified country are ensured when we uphold General Kim Chong-il who unites all people into one with his man-centred magnanimous politics, with his leadership of strong gravitation.

"Only General Kim Chong-il can save our people and shoulder the destiny of the 70 million Koreans of a unified country.

"Led by respected General Kim Chong-il, our 70 million Koreans will always win and be at the pinnacle of glory as a proud nation eternal in history."

Pro-Kim Il-song Leaflets 'Distributed' in ROK

SK0510052994 Pyongyang KCNA in English 0448 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—Leaflets honoring the memory of respected President Kim Il-song were distributed to the visitors of the Mangwoldong Cemetery in Kwangju on the morning of harvest moon day (September 20), according to Seoul-based Radio Voice of National Salvation quoting an information of the South Cholla Provincial Committee of the South Korean National Democratic Front.

Printed in the 16-mo vellum leaflet were the following words:

Let us all pay a silent tribute to the memory of respected President Kim Il-song.

Respected President Kim Il-song was the tender-hearted father of our nation peerless in the 5,000-year long history of the Tangun nation, and the greatest among the great men in the present era who created the modern history along a new path with his profound revolutionary theories and through a great revolutionary practice, possessed of rare wisdom, outstanding leadership ability and noble traits that no one else had ever possessed.

The loss of him whom our nation and all humankind believed in as in heaven is the bitterest pain which can be mollified with nothing.

But he will always be alive in the hearts of our people.

As the sun and Mt. Mudung are eternal, respected President Kim Il-song will always be with our nation.

Let us all turn out more vigorously to achieve at an earlier date the reunification of the country that the president desired so ardently in his lifetime, always keeping deep in our hearts the great and benevolent image of respected President Kim Il-song.

Reading the leaflet distributed in the name of the Society of Patriotic Youth for Reunification in memory of President Kim Il-song, the visitors to the cemetery paid a long silent tribute toward the sky above Pyongyang, praying for the repose of the soul of the respected president.

Reaction to ROK's Yi Reconciliation Remarks

SK0610055294 Pyongyang KCNA in English 0509 GMT 6 Oct 94

["Confrontation Hysterics at Its Height"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—South Korean puppet Prime Minister Yi Yong-tok made brigandish remarks reversing black and white at "the ceremony on the national foundation day" on October 3, crying that "the North must discard the attitude of confrontation and antagonism and show a change in its position for reconciliation and cooperation," according to a radio report from Seoul.

It is none other than the South Korean puppets who are trying to impede the progress of the talks between the Democratic People's Republic of Korea and the United States by intentionally laying obstacles to the talks with outcries over "the possibility of the North's possession of nuclear weapons" and "guarantee of the transparency of the North's past nuclear activities," and contain the North at any cost by force of arms with the help of outside forces.

The anti-national elements who refuse to renounce their confrontational stance toward the North dared urge the North to discard "the attitude of confrontation and antagonism" and show "a change in its position." This is really a ridiculous and despicable sophism for covering up their pursuance of confrontation and doing harm to the North.

Yi Yong-tok again cried for "unification by prevailing over communism," claiming that "a national community based on liberal democracy" should be established.

The Kim Yong-sam group's call for "unification under the liberal democratic system" is nothing but a declaration that it totally rejects dialogue and negotiation between the North and the South and opposes reunification by peaceful means.

We will never overlook the fact that the Kim Yong-sam group totally rejected dialogue and declared a total showdown but will make it pay dearly for it.

Foreigners Demand Repatriation of South Prisoners

SK0510151194 Pyongyang KCNA in English 1501 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—Public figures of Mozambique and Guyana strongly demanded that Kim In-so and Ham Se-hwan, unconverted long-term prisoners in South Korea, be sent back to the North.

Amaral Matos [spelling of name as received], first executive secretary of the Mozambican Committee for Friendship With the People of the Democratic People's Republic of Korea, published a statement on September 29, which said:

In the history of no country there has been an instance of keeping people behind bars for scores of years, brutally torturing them, for refusing to be converted. However, the traitor Kim Yong-sam, a human only in shape, still refuses to repatriate unconverted long-term prisoners after putting them to all brutal tortures.

"The traitor Kim Yong-sam must know clearly that he will face a stern judgment by the people. He must send unconverted long-term prisoners Kim In-so and Ham Se-hwan back to their hometown immediately," the statement urged.

The Guyanese Committee for the Repatriation of POWs Kim In-so and Ham Se-hwan sent a letter to the president of the International Committee of the Red Cross, calling for an active cooperation in realizing their repatriation.

Paper Criticizes Kim Yong-sam's Army Day Speech

SK0610055894 Pyongyang KCNA in English 0504 GMT 6 Oct 94

["Daydream of Fool"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The traitor Kim Yong-sam told "the ceremony on the ROK Army Day" that it is his "invariable goal and dream to unify the country under the liberal democratic system."

Commenting on this, MINJU CHOSON today says:

His remarks are an intolerable challenge to the North because they revealed his sinister intention to expand the anti-popular colonial fascist system of South Korea to the North with the help of outside forces.

Our socialism that has been built on the basis of the great chuche idea is invincible. Nobody can destroy our socialist system that has been consolidated as firm as a rock in the singlehearted unity of the leader, the party and the masses. To try to destroy our socialist system that is making a long drive, demonstrating its dignity and might to the world as a powerful socialist country of independence, self-sustenance and self-reliance in national defence is as foolish as trying to break a rock with an egg.

The traitor Kim Yong-sam, a colonial servant, embellished the reactionary society of South Korea, unconscious of his poor lot like a fish out of water, and cried for unification under it. This shows once again how foolish and stupid he is.

The anti-North confrontation row is the death-bed wriggle of those who are finding themselves in quicksand, pushed out of the way of reunification and rejected by the people. Only destruction is waiting for such fellows.

Public 'Denouncing' U.S. for Pressuring North

SK0410105894 Pyongyang KCNA in English 1014 GMT 4 Oct 94

["'U.S. Will Get Nothing From Pressure Upon Korea'"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—The world public is sharply denouncing the undisguised attempt of the U.S. conservative forces behind the curtain of dialogue to stifle socialist Korea by force of arms.

The National Liberation War Veterans Committee of Zimbabwe published a special statement on September 29.

Noting that the United States recently deployed its aircraft carrier flotillas in the waters of the Korean peninsula, openly raising outcries for a war when DPRK-U.S. talks were in session in Geneva, the statement said they were underlain by an insidious purpose to get a concession at the talks by putting military pressure upon the DPRK outside the conference hall.

"The dishonest forces of the West must promptly withdraw their aggression forces, clearly knowing that they will have to pay dearly, if they regard Korea as they do a small island country in the Caribbean," it warned.

The Mozambican Committee for Friendship With the People of the Democratic People's Republic of Korea said in a statement on September 28 that the United States did not have from the beginning the intention to solve the "nuclear issue" of Korea through dialogue and this has been exposed to the world this time again.

The statement said:

If the U.S. imperialists provoked socialist Korea, it would suffer more miserable disgrace and defeat than in the 50s. If they unleashed a war in Korea, the peace-loving people of all countries would rise up like a mountain and bury the aggressors in the Pacific.

"The United States will get nothing from its pressure upon Korea."

The Nepal-Korea Friendship Association published a statement denouncing the U.S. "strong-arm diplomacy".

The statement urged the United States to solve all issues in a peaceful way through negotiations with the DPRK with an honest attitude.

U.S. Journalist, Christian Leader Arrive

SK0510053394 Pyongyang KCNA in English 0452 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—Mun Myong-cha, a U.S.-resident Korean woman journalist, and Pak Han- sik, chairman of the Society of Korean Christian Scholars in North America, arrived here Tuesday by air to participate in the ceremony for the completion of reconstruction of the tomb of King Tangun.

Party, Government Delegation Returns From PRC

SK0410154594 Pyongyang KCNA in English 1512 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—The party and government delegation of the

Democratic People' Republic of Korea led by Yi Chong-ok, Politburo member of the Central Committee of the Workers' Party of Korea [WPK] and vice-president, returned home today after attending the celebrations of the 45th founding anniversary of the People's Republic of China.

It was met at the airport by Kim Yong-nam, Politburo member of the WPK Central Committee, vice-premier of the Administration Council and foreign minister, officials concerned and Qiao Zonghuai, Chinese ambassador to Korea.

Anniversary of Relations With PRC Commemorated

SK0610124294 Pyongyang Korean Central Broadcasting Network in Korean 0753 GMT 6 Oct 94

[Unattributed talk: "Ties of Friendship and Unity Between the DPRK and the PRC Are Further Strengthened Each Day"]

[FBIS Translated Text] At a time when our friendship and unity with the Chinese people is further strengthened, our people are significantly marking the 45th anniversary of the establishment of diplomatic relations between the DPRK and the PRC.

The establishment on 6 October 1949 of ambassador-level diplomatic relations between the DPRK and the PRC was an occasion with significance for strengthening and developing the friendship and cooperative relations between the people of our two countries onto a new high stage.

The great leader Comrade Kim Il-song has taught: The people of the DPRK and the PRC linked their destinies into one a long time ago, sharing their destinies, pains, and joys in the struggle against common enemies. By cherishing the sense of obligation as revolutionary comrades-in-arms, they deepened the comradely friendship.

The militant friendship and unity forged between the people of our two countries over the past 45 years have been further strengthened and developed in the course of jointly overcoming various trials and of advancing hand in hand with each other toward common goals.

Just as the DPRK and the PRC are linked by mountains and rivers, the hearts of the people of the two countries are connected as one.

By always linking their hearts as one, the people of the two countries supported and cooperated with each other, not neglecting revolutionary principle and comradely friendship.

The people of the two countries fought against common enemies in the lands not only of the PRC, but also of Korea. Thus, they shared their destinies and overcame arduous trials together.

The people of the two countries strengthened their comradely friendship, and supported and encouraged each other's cause; through this course, the DPRK-PRC friendship has been further strengthened and developed.

The DPRK-PRC friendship, which the great leader Comrade Kim Il-song forged and fostered with respected Comrades Mao Zedong, Zhou Enlai, and Deng Xiaoping, is continuously developing thanks to the great interest and efforts of the leaders of the two countries.

Today, the Chinese people are building socialism with Chinese characteristics under the correct leadership of the Communist Party of China with Comrade Jiang Zemin at the core. Production successes have been registered in major domains of the national economy, including industry, agriculture, and trade; science and technology are also developing.

Our people are pleased with the successes attained by the Chinese people in their socialist economic construction, and are extending firm solidarity with their just cause to achieve the nation's reunification based on the principle of one state and two systems.

Today, our people are effecting great successes in all domains of socialist construction, under the wise leadership of the dear leader Comrade Kim Chong-il, by keenly realizing the great leader Comrade Kim Il-song's lifetime will.

The popular mass-centered socialism of our own style is being strengthened and developed with each passing day, and is not wavering under the imperialists' pressure and interference. Our people's struggle to peacefully and independently reunify the fatherland under the banner of the 10-Point Program of Great Unity of the Entire Country has been further strengthened. The Chinese people, who love justice and peace, always send active support and solidarity to our people's struggle.

The present international situation still remains strained and complicated. The imperialists' pressure and interference to dominate the world by strength are becoming more undisguised.

The imperialists are resorting to every means and method in an attempt to isolate and crush the socialist countries politically, economically, and militarily. In addition, they are strengthening the ideological and cultural infiltration into socialist countries, and are desperately running amok to destroy them from within.

It is beneficial [yuik hamnida] to safeguard socialist gains, and defend peace and security in Asia and the world, by further developing the friendship and cooperative relations between the people of the DPRK and the PRC.

Just as in the past, our people will continuously strengthen and develop the DPRK-PRC friendship, which has a long historic tradition and roots.

Our people wish the Chinese people success in their socialist construction, which is characteristic of the actual situation in their country.

Premier Sends Message to Counterpart

SK0410094194 Pyongyang Korean Central Broadcasting Network in Korean 0100 GMT 1 Oct 94

[FBIS Translated Text] Comrade Kang Song-san, premier of the Administration Council, sent a congratulatory message to Comrade Li Peng, premier of the PRC State Council.

The congratulatory message said that it sends enthusiastic congratulations to him and the fraternal Chinese people on the occasion of the 45th anniversary of the founding of the PRC, and pointed out as follows:

During the past 45 years since the founding of the PRC, the Chinese people have highly manifested the revolutionary spirit of self-reliance and fortitude under the leadership of the CPC, and achieved great results in building a modernized socialism.

We are happy over the results achieved by the Chinese people as if it were results achieved by us, and truly hope that the Chinese people will build socialism with Chinese characteristics and achieve greater results in the cause to reunify the whole country.

I am of the firm belief that the traditional DPRK-PRC friendship which overcame all kinds of trials in history will continue to strengthen and develop through joint efforts by the people of our two countries.

The congratulatory message hoped that tasks presented at the 14th National Congress of the CPC will be fulfilled, and that there will be greater results in his responsible work for the country's wealth and power, as well as the development and promotion of the people's welfare.

Chang Chol at Anniversary Party

SK0610043294 Pyongyang KCNA in English 0416 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The Korean Committee for Cultural Relations With Foreign Countries and the Central Committee [C.C.] of the Korea-China Friendship Association gave a film show and a cocktail party on Wednesday to commemorate the 45th anniversary of the establishment of diplomatic relations between the Democratic People's Republic of Korea and the People's Republic of China.

Invited there were the visiting delegation of the Foreign Ministry of China led by secretary of the Commission of Discipline Inspection Wan Yongxiang, and Chinese Ambassador to Korea Qiao Zonghuai and his embassy officials.

Vice-Premier Chang Chol, vice-director of a department of the C.C., the Workers' Party of Korea Rim Sun-pil, Vice-Minister of Foreign Affairs Pak Myong-ku, Vice-Minister of Culture and Art Kim Chong-ho, Vice-Minister of Public Health Kim Yong-ik who is vice-chairman of the C.C., the Korea-China Friendship Association, vice-chairwoman of the Committee for Cultural Relations With Foreign Countries Chon Yon-ok and other officials concerned were present.

The participants appreciated the Chinese feature film "Uprising in Paise". Then followed a cocktail party at which speeches were made.

Relations With PRC 'Unbreakable'

SK0610055494 Pyongyang KCNA in English 0516 GMT 6 Oct 94

["Korea-China Friendship Will Be Everlasting"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—Pyongyang-based papers today dedicate articles to the 45th anniversary of the opening of diplomatic relations between the Democratic People's Republic of Korea and China.

In a by-lined article titled "Korea-China Friendship Will Be Everlasting", NODONG SINMUN says that the establishment of diplomatic relations between the two countries on October 6, 1949 was a signal event which marked a milestone in constantly strengthening and developing friendship and cooperation and solidarity between the two peoples on a solid basis.

The paper says:

Korea-China friendship has a long historical root and an excellent tradition.

The two peoples struggled shoulder to shoulder with each other against foreign aggressors, sharing the destiny and sweets and bitters.

Korea-China friendship was established by the great leader of the Korean people Comrade Kim Il-song and the great leader of the Chinese people Comrade Mao Zedong and respected Comrade Zhou Enlai and has developed, withstanding all historical trials. This is why this friendship is unbreakable.

This friendship is a special relationship based on the sense of comradely obligation and the two peoples are always linked together by the same mind.

We are happy to have such a close friend as the Chinese people, our neighbour.

Having built a new socialist country on the vast land of China through self-reliance and hard struggle, the Chinese people have made enormous achievements in the work to promote national stability and unity, accelerate the modernisation of the country and build socialism with Chinese characteristics, firmly resolved to implement the tasks set forth by the 14th national congress of the Communist Party of China, under the leadership of the party with Comrade Jiang Zemin at the core.

We hope that all things will go well in China and extend firm support and solidarity to the Chinese people in their efforts for socialist modernisation and reunification of the whole country.

Our people will make strenuous efforts to continue to glorify the history of traditional Korea-China friendship even under the present-day complex situation, remaining true to what the great leader Comrade Kim Il-song intended in his lifetime.

A signed article of MINJU CHOSON says that the Korean people believe that the Korea-China friendship will grow stronger and develop in the future and wish the Chinese people greater achievements in the building of a cultured society.

Japanese 'Ambition' for 'Domination' Alleged

SK0610101494 Pyongyang KCNA in English 1002 GMT 6 Oct 94

["Japan's Ambition To Boss the Show in Asia"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—Tetsuya Nishimoto, chairman of the Joint Staff Council of the "Self-Defence Forces" of Japan, a few days ago contended that Japan must start joint military exercises with neighbouring powers intended for "peacekeeping" and "relief operations", crying that "a military vacuum" must not be created in Asia by such "opaque factors" as developments on the Korean peninsula. This is the topic of NODONG SINMUN and MINJU CHOSON commentaries today.

A NODONG SINMUN analyst says:

This reveals the sinister intention of the Japanese reactionaries to contain the influence of the United States in Asia and establish their military domination in this area by staging joint military exercises with neighbouring powers under the pretext of the situation of the Korean peninsula.

The Japanese reactionaries do not let a chance pass by without claiming that Japan must play a bigger military role by taking an active part in the "United Nations peacekeeping operations". Lurking behind this is the scheme of Japan, which has hastened arms buildup and her conversion into a military power, to exercise a political and military influence and jump into the global scrambles for supremacy by her military intervention into international disputes.

For the present, Japan is trying to create its sphere of influence in the Asia-Pacific region. She regards the present day as the capital chance to contain the U.S. influence in this area and realise her old dream of "the Greater East Asia Coprosperity Sphere".

Nishimoto's utterances about "peacekeeping" and "relief operations" for coping with "a military vacuum" in Asia reveal the scheme of Japan to inveigle Asian nations into the realisation of her wild dream and elbow out the United States.

The Japanese reactionaries plan to start their comeback to Asia from the Korean peninsula.

Overheated with the reinvasion designs on Korea, the Japanese reactionaries are now watching for a chance of action. This explains why they are trying hard to put brakes on the DPRK-USA talks for a solution to the nuclear issue and drive the situation on the Korean peninsula to confrontation and increased tensions.

Japanese militarism which has revived politically, economically and militarily works to push the United States out of Asia and boss the show there as the master.

An analyst of MINJU CHOSON says that the Japanese reactionaries' outcry for "joint military exercises with neighbouring nations" under the showy cloak of "peacekeeping" and "relief operations" is motivated by the sinister intention to contain the U.S. influence in Asia and finally drive the United States out of it and establish their political and military domination over it.

Vice Premier Meets Kazakhstan Society Delegation

SK0410110194 Pyongyang KCNA in English 1025 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—Vice-Premier Chang Chol today met and had a friendly conversation with the delegation of the Kazakhstan Society for Friendship and Cultural Relations With Foreign Countries led by its Chairman Zhibek Amerhanova at the Mansudae Assembly Hall.

Present was Kim Yong-su, vice-chairman of the Committee for Cultural Relations With Foreign Countries.

The head of the delegation said they have come to Korea to share the sorrow at the death of the great leader Comrade Kim Il-song with the Korean people.

"The talented and industrious Korean people have registered many achievements under the guidance of the great leader Comrade Kim Il- song and the dear leader Comrade Kim Chong-il," she noted.

She said Pyongyang has taken on looks as a capital city and the monumental edifices are excellent ones defying comparison.

SPA Chairman Meets Kazakh Assembly Delegation

SK0610140194 Pyongyang KCNA in English 1040 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—Chairman of the Supreme People's Assembly

Yang Hyong-sop met and had a friendly talk with the visiting delegation of the Kazakh Supreme Soviet led by its Vice-Chairman K.S. Sultanov at the Mansudae Assembly Hall today.

Present on the occasion was Vice-chairman of the Supreme People's Assembly Paek In-chun.

The head of the delegation said the death of the great leader President Kim Il-song was a great loss to the Korean people.

He further said:

"When we heard the news on the sudden death of the great leader, we expressed condolences at the Korean embassy. This time, we expressed deep condolences before the statue of respected Comrade Kim Il-song.

"We were greatly moved, witnessing the Korean people deeply revering the great leader.

"Especially, we were greatly encouraged at the sight of the Korean people successfully building socialism, changing their sorrow into great strength and courage.

"We sincerely hope for prosperity of the Korean people and for peace and security on the Korean peninsula."

Anniversary of Visit by Syria's al-Asad Marked

SK0610053294 Pyongyang KCNA in English 0428 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—A meeting was held here on Wednesday on the lapse of twenty years since President Hafez al-Asad of the Syrian Arab Republic visited Korea.

Minister of Finance Yun Ki-chong, who is chairperson of the Korea-Syria Friendship Association, made a speech at the meeting.

She said, "The visit to Korea by esteemed His Excellency President Hafez al-Asad from September 28 to October 2, 1974, and the historical meeting between the leaders of the two countries in the period were an event of epochal significance in the development of the friendly relations between the two countries."

She highly estimated the significant achievements made by the courageous and industrious Syrian people in their efforts to defend the gains of the revolution and build a new society under the leadership of the Arab Socialist Baath Party headed by President Hafez al-Asad, their leader of advancement.

"We express firm solidarity with them in their just struggle to restore the occupied arab lands including Golan heights and defend peace in the Middle East," she said.

"The dear leader Comrade Kim Chong-il," she noted, "is deeply interested in further developing the friendly relations with the Syrian people."

"We will make every possible effort to further develop the excellent relations of friendship and cooperation forged between Korea and Syria and fight staunchly for peace and the victory of the cause of independence against imperialism, tightly joining hands with the fraternal Syrian people, in the future, too," she concluded.

Speaking next, Syrian Ambassador to Korea Yasir Farah said: "The passing away of the great leader Comrade Kim Il-song, who was the leader of the national liberation struggle, a steadfast defender of socialism and a gifted thinker and theoretician, is a bitter sorrow and a big loss to us. Though three months have passed since we suffered the loss so great," he went on, "We cannot persuade ourselves of his death, of the fact that he is gone."

He said that the unbreakable, close ties of friendship which opened with the historical meeting between the esteemed two leaders 20 years ago, would be continuously tightened and developed by the dear leader marshal Kim Chong-il who is now leading the Korean people, succeeding the great leader.

"We believe," he said, "that the Korean people will carry forward the exploits performed by the great leader Comrade Kim Il-song in his whole life, closely rallied in one faith and one idea under the energetic leadership of the dear leader Comrade Kim Chong-il."

"The great leader Comrade Kim Il-song is immortal and his idea and teachings will always encourage us," the ambssador stressed.

A congratulatory letter to the Syrian president was adopted at the meeting.

Former Workers Party of Ireland Leader Cited

SK0410150994 Pyongyang KCNA in English 1459 GMT 4 Oct 94

["Comrade Kim Il-song's Exploits Will Shine Long"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—"The respected leader Comrade Kim Il-song was a great man, indeed, and his immortal exploits will shine long," said Sean Garland, member of the National Executive Committee and former general secretary of the Workers' Party of Ireland, at a press conference here.

Sean Garland recalled his visit to Korea in April when he was received by President Kim Il-song.

He told newsmen:

"I did not feel that I was talking with so great a man who organised and led a revolutionary struggle, founded the party and the state, built a socialist system admired by the world people and founded a strong army. I felt my whole body drawn to the broad embrace of Comrade Kim Il-song, attracted by his modest and unassuming manner."

He said each time he visited Korea, he was deeply impressed by the great achievements made by the Workers' Party of Korea and the Korean people in socialist construction. "These were results of the wise guidance of the work for the unity of the party and the people by the great leader Comrade Kim Il-song", he added.

Noting that the Korean people are now closely united around supreme commander Comrade Kim Chong-il, he said such unity of the party and the people that can be seen only in Korea is a fine example for the progressive parties of the world.

He expressed the firm belief that Korea's socialism will grow stronger and make a long drive under the wise leadership of the Workers' Party of Korea.

WPK Sends Greetings to Irish Workers' Party

SK0610103894 Pyongyang KCNA in English 1023 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK] on October 5 sent a message of greetings to the annual convention of the Workers' Party of Ireland.

The message highly estimated the active efforts of the Workers' Party of Ireland for firmly maintaining the revolutionary principle of socialism, expanding and strengthening the party ranks and achieving the democratic development of the country and social progress under the complex situation and expressed full support and solidarity for them.

Believing that the fraternal bonds and friendly and cooperative relations between the two parties which are favourably developing will grow in scope and develop in conformity with the common desire for socialism in the future, the message wished great success to the annual convention and in the work to implement its decisions.

Overseas Campaigns Held for 10-Point Program

SK0610103394 Pyongyang KCNA in English 1019 GMT 6 Oct 94

[Spelling of all names as received]

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—A wave of the signature campaign supporting "10-Point Programme of the Great Unity of the Whole Nation for the Reunification of the Country" put forward by the great leader President Kim Il-song has swept different countries.

Juan Ramos, general secretary of the Central Committee of the Communist Party of the Peoples of Spain, signed the paper on behalf of the entire party members.

The paper was also signed by Coordinator Mauro Cazadio and International Secretary Sergio Carraro of "Struggle for the Peace and Socialism" and other figures of Italy on behalf of their organizations and organization members, and by Ibrahima Traore, leader of the Party of Ecology for the Integration of Mali, in the name of 20,000 party members.

Signing the paper were also about 200 participants in a meeting for friendship and solidarity with the Korean people held under the sponsorship of the Auvergne Regional Committee of the France-Korea Friendship Association.

In Malaysia, the paper was signed by Anuar Tahir, advisor to the Action Front and chairman of the Centre for the Creation of Peace, Fan Yeu Teng, coordinator of the Action Front and executive director of the Centre for the Creation of Peace, and other personages on behalf of 1,700,000 members of their organizations.

After signing the paper, Juan Ramos said the Communist Party of the Peoples of Spain always expresses solidarity with the Korean people in their efforts to achieve the independent and peaceful reunification of the country and fully supports the initiatives of the Korean party and government for a durable peace on the Korean peninsula. Anuar Tahir said they consider the 10-Point Programme of the Great Unity of the Whole Nation to be the most reasonable and realistic, valuable proposal for the independent and peaceful reunification of Korea, and expressed the belief that Korea would certainly be reunified under the programme.

WPK Founding Anniversary Celebrated Abroad

SK0410104694 Pyongyang KCNA in English 1003 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—Functions were recently held in different countries to celebrate the 49th founding anniversary of the Workers' Party of Korea [WPK].

A seminar on the chuche idea was held in Mongolia and a symposium in Burundi, a lecture meeting in Zimbabwe and a film show in Tanzania.

Giving a lecture at the Huazana District, Harare Province, Committee of the Zimbabwe African National Union-Patriotic Front, its Secretary William Makayaora said there is no party like the Workers' Party of Korea which works devotedly, regarding it as the supreme principle of its action to promote the wellbeing of the popular masses.

"This is because Comrade Kim Chong-il, the supreme leader of the Korean people, is wisely leading the WPK founded by the great leader Comrade Kim Il-song who devoted his whole life to the independence of the popular masses, holding them dearest," he added.

He said the Workers' Party of Korea under the tested leadership of the dear leader Comrade Kim Chong-il, the head of the party, would grow stronger and develop into an invincible party.

Stanislas Nsabimana, chief of the Burundi Group for the Study of the Chuche Idea, said in his report at the symposium held by the group that His Excellency Dear Kim Chong-il, the outstanding leader of the Workers' Party of Korea, has strengthened and developed the party founded by the great President Kim Il-song into an ever- victorious steel-like party and into a tested staff which will carry to accomplishment the revolution and construction and the cause of socialism and defend them.

"The party serving the people, which guides their cause of independence, is unthinkable apart from His Excellency Dear Kim Chong-il," he said.

Peruvian Study Groups Issue Bulletin on WPK

SK0410105694 Pyongyang KCNA in English 1009 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—The Peru-Korea Institute of Culture and Friendship and the Peruvian Committee for Support to the Independent and Peaceful Reunification of Korea jointly published a special issue of a bulletin on September 27 on the occasion of the 49th founding anniversary of the Workers' Party of Korea [WPK] and the month of support to the proposal of founding the Democratic Confederal Republic of Koryo.

The bulletin carries "Abuses of Socialism Are Intolerable", a famous work of the dear leader Comrade Kim Chong-il.

Printed in it are articles titled "Comrade Kim Il-song Will Always Be With the World People", "'10-point Programme of the Great Unity of the Whole Nation for the Reunification of the Country' put forward by President Kim Il-song", "Supreme Leader of the Workers' Party of Korea" and "Korea Should Be Reunified by Confederacy Formula".

In "Supreme Leader of the Workers' Party of Korea" the bulletin notes that the history of the arduous yet glorious struggle covered by the WPK and its achievements are linked with the august name of His Excellency Dear Kim Chong-il, the supreme leader of the party: The state and the Army of Korea.

He has developed in depth the chuche idea of Comrade Kim Il-song to the highest stage in compliance with the requirements of the present era and the developing revolution, and performed exploits in the course of many years of leading the cause of building the party, which will shine long in the building of a revolutionary party in the present era, the bulletin says.

The WPK has gained a high authority as the tested guide of the socialist cause in the present times because it has created the reality of socialism unanimously praised by the world people, and His Excellency Kim Chong-il is highly praised by the world people as the veteran and experienced guide of revolutionary party building and the guide leading to victory their struggle for rebuilding the socialist movement, it stresses.

Kim Chong-il Receives Letters From Abroad

SK0410061094 Pyongyang KCNA in English 0454 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—The dear leader of our party and our people Comrade Kim Chong-il received a congratulatory message from Jose Eduardo Dos Santos, president of the Republic of Angola, on the 46th anniversary of the founding of the Democratic People's Republic of Korea.

The message expresses the belief that the friendly and cooperative relations between the Angolan and Korean peoples will grow stronger in the interest of the two peoples.

He also received congratulatory messages from George Habashi, general secretary of the Central Committee of the Popular Front for the Liberation of Palestine; Vincent Cabrea, acting leader of the February 18th movement of Trinidad and Tobago; and Mohamed Bel Hadj Amor, general secretary of the People's Unity Party of Tunisia, on the occasion.

Zaire, Equatorial Guinea Support Korean People

SK0510150994 Pyongyang KCNA in English 1457 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—Equatorial Guinean President, Obiang Nguema Mbasogo, when he met with the Korean ambassador to his country on September 29, said that he would fully support all the proposals and measures of the DPRK to reunify the country by the confederacy formula.

He expressed support for the position and efforts of the DPRK Government to solve the nuclear issue of the Korean peninsula through dialogue.

"I wholeheartedly wish the Korean people will achieve greater success in their just struggle to win the final victory of socialism and the peaceful reunification of the country, rallied as one in mind around esteemed his excellency Kim Chong-il, the great leader," he said.

Earlier, on September 27, Ngoy Nduba [spelling of name as received], secretary general of the Lumumba Democratic Party of Zaire, when he met with the Korean ambassador to Zaire, expressed full support and solidarity for the stand of the Workers' Party of Korea towards the nuclear issue of the Korean peninsula and the question of Korea's reunification.

"We will entirely trust and support Comrade Kim Chong-il as we absolutely supported Comrade Kim Il-song in the past period," he declared.

Pakistani Minister Brings Gift for Kim Chong-il

SK0510052794 Pyongyang KCNA in English 0442 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—The dear leader of our party and our people Comrade Kim Chong-il received a gift from the government of the Islamic Republic of Pakistan.

Khalid Ahmed Khan Kharal, minister of information and broadcasting of Pakistan, on a visit to Korea, handed the gift to an official concerned on October 4.

Expresses Thanks for Support

BK0410141794 Islamabad Radio Pakistan Network in English 1100 GMT 4 Oct 94

[FBIS Transcribed Text] The federal minister for information and broadcasting, Mr. Khalid Ahmad Khan Kharal, has thanked North Korean leaders for their unequivocal support to the cause of Kashmiri people.

Speaking at a dinner hosted in his honor by the chairman of the Information Commission in Pyongyang, he said tension in the region remains high because of Kashmir dispute, which should be resolved in accordance with UN resolutions. The minister reiterated Pakistan's commitment to the peaceful unification of Korea. The Korean information minister described Mr. Kharal's visit as very significant for the achievement of common objectives that will lead to friendship and solidarity in Asia.

WPK Hosts Reception for Ugandan Visitors

SK0610050494 Pyongyang KCNA in English 0420 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The Central Committee of the Workers' Party of Korea hosted a reception for the visiting delegation of the National Resistance Movement of Uganda on Wednesday.

Secretary of the WPK Central Committee Hwang Chang-yop said in his speech at the reception: "We rejoice over the big achievements the national resistance movement of Uganda, under the leadership of esteemed His Excellency President Yoweri Museveni, is registering in the efforts to win the stability of the country and national unity, while rejecting the multi-party system, in accordance with the demand of the people and the specific conditions of Uganda."

"The Workers' Party of Korea, under the wise leadership of the dear leader Comrade Kim Chong-il," he said, "will as ever make positive efforts to strengthen and develop the friendly and cooperative relations with the National Resistance Movement of Uganda on the basis of the idea of independence, peace and friendship."

Speaking next, vice-chairman of the movement Moses Kigongo, who is heading the delegation, denounced the interference of outside forces in the internal affairs of Korea.

"The national resistance movement of Uganda is deeply interested in the strengthening and development of friendship between the two parties," he said.

He wished the Korean people big achievements in the revolution and construction under the wise leadership of the dear leader Comrade Kim Chong-il.

Ugandan President Sends Gift for Kim Chong-il

SK0610103594 Pyongyang KCNA in English 1020 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The dear leader Comrade Kim Chong-il received a gift from Yoweri Kaguta Museveni, president of the Republic of Uganda.

It was handed to Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, by Moses Kigongo, vice- chairman of the National Resistance Movement of Uganda, on a visit to Korea.

Russia's Panov on Kim Officially Assuming Power

OW0610132094 Tokyo KYODO in English 1246 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 KYODO—North Korea has notified Russia that Kim Chong-il will officially succeed his father, the late president Kim Il-song, in mid or late October, a South Korean weekly reported Thursday [5 October], quoting a senior Russian diplomat.

Russian Vice Foreign Minister Aleksandr Panov revealed the North's upcoming new leadership in an interview with the Sisa journal.

A Thai diplomat told KYODO NEWS SERVICE on Monday that he had been told by North Korean officials that Kim will be sworn in soon after the 100-day mourning period ends at around the Middle of this month.

Panov, who served a one-year term as Russian ambassador to North Korea from 1992, visited Pyongyang in late September as special envoy for Russian President Boris Yeltsin.

Panov also told the South Korean weekly that North Korea's domestic situation is entirely normal and public order is well in place. He reportedly said he did not notice any changes from the situation during the Kim Il-song era.

Meanwhile, Russia's ITAR-TASS NEWS AGENCY reported from Moscow that Russian ultranationalist

Vladimir Zhirinovskiy concluded a five-day visit to North Korea without being given an opportunity to meet Kim Chong-il.

The leader of the Liberal Democratic Party was visiting on invitation by the ruling Workers' Party of Korea.

North Korea initially suggested that a meeting with Kim would be scheduled, according to ITAR-TASS.

Kim Chong-il Reportedly 'New Supreme Leader'

HK0610123594 Hong Kong Television Broadcasts Limited in English 1200 GMT 6 Oct 94

[From the "News at Eight" program]

[FBIS Transcribed Text] North Korea has told the world that Kim Chong-il is the country's new supreme leader. The announcement was made to the UN General Assembly by the nations deputy foreign minister. He said that Kim, the reclusive son of Kim Il-sung, is also the new armed forces commander.

Kim Chong-il has not been seen in public since his father's funeral in July and has yet to be sworn in.

North Korea remains deadlocked with the international community over its refusal to allow full inspections of its nuclear sites. In a bid to break the impasse, South Korea has announced President Kim Yong-sam will hold top-level talks with Chinese, Japanese and American leaders over the next six weeks.

Guyana Names School Class After Kim Chong-il

SK0610103194 Pyongyang KCNA in English 1013 GMT 6 Oct 94

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—A meeting was held at the Golden Grove Primary School in Guyana on September 28 to name fourth-year class-B of the school Kim Chong-il Class on the occasion of the 49th birthday of the Workers' Party of Korea.

The headmaster of the school addressed the meeting and then Jemos Bov [spelling of name as received], deputy permanent secretary of the Ministry of Education and Cultural Development, made a congratulatory speech.

Jemos Bov said, "It is great honor and happiness of the entire teaching staff and pupils of the school as well as the Guyanese people and younger generation to have the significant meeting today to name a class Kim Chong-il Class, the first of its kind in Guyana."

Noting that the dear leader Marshal Kim Chong-il is a great statesman and an outstanding thinker and theoretician of the present era who enjoys deep respect and trust not only of the Korean people but also of the peoples of the world, the speaker said: "All the pupils of the Kim Chong-il Class should prepare themselves to be reliable workers for the building of a new society by studying hard and sturdily training their body and mind in the future.

A letter to the dear leader Comrade Kim Chong-il was adopted at the meeting.

Foreign Visitors Visit Statue of Kim Il-song

SK0410060194 Pyongyang KCNA in English 0440 GMT 4 Oct 94

[FBIS Transcribed Text] Pyongyang, October 4 (KCNA)—A delegation of the Ministry of Information and Broadcasting of Pakistan led by Minister Khalid Ahmed Khan Kharal, a delegation of the Foreign Ministry of China led by Secretary of the Commission of Discipline Inspection Wan Yongxiang and a delegation of the Swiss Committee for Supporting the Reunification of Korea headed by its Secretary General Martin Lotcher called at the statue of the great leader President Kim Il-song on Mansu Hill Monday and honored his memory.

They laid wreaths before the statue and observed a silence tribute to the memory of President Kim Il-song.

The head of the Swiss delegation said the death of the great President Kim Il-song is a big loss not only to the Korean people but also to the progressive people the world over. "The chuche idea founded by the president is successfully being inherited and developed by the dear leader Comrade Kim Chong-il," he noted, and added:

"We believe that the Korean people will continue pushing ahead with socialist construction under the leadership of the dear leader."

Foreigners, Overseas Koreans Honor Kim Il-song

SK0510053194 Pyongyang KCNA in English 0451 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—The delegation of the National Resistance Movement of Uganda led by its Vice-Chairman Moses Kigongo, the delegation of Sri Nakharinwirot University of Thailand led by its Vice-president Somsuke Terapigittra and the delegation of Kasetsart University of Thailand headed by Prof. Pensri Kanchanomai on visit to Korea, called at the statue of the great leader President Kim Il-song on Mansu Hill Tuesday and honored his memory.

The guests laid wreaths and bouquets before the statue and paid a silent tribute to the memory of President Kim Il-song.

Somsuke Terapigittra said that the great leader Comrade Kim Il-song was the benevolent father of the people who devoted his whole life to their freedom and happiness and that she respected him from the bottom of her heart.

Noting that the death of President Kim Il-song is an immeasurable misfortune for them, she said she felt acute pains at his death.

Mun Myong-cha, a U.S.-resident woman journalist, and Pak Han- sik, chairman of the Society of Christian Scholars in North America, staying in the homeland to participate in the ceremony for the completion of the reconstruction of the tomb of King Tangun, also visited the statue of President Kim Il-song and honored his memory.

Kim Il-song's World War II Operations Praised

SK0610102994 Pyongyang KCNA in English 1010 GMT 6 OcT 94

["NODONG SINMUN on Policy of Large-Unit Circuit Operations Advanced by President Kim Il-song"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—NODONG SINMUN today carries an article contributed by Dr. Kim Ki-chon upon the lapse of 55 years since the great leader President Kim Il-song published the famous work "On Launching Large Unit Circuit Operations in Broad Areas Northeast of Mt. Paektu."

The great leader Comrade Kim Il-song, in his speech at a meeting of military and political cadres of the Korean People's Revolutionary Army (KPRA) held in Liangjiangkou, Antu County, on October 6, 1939, put forward a policy of attacking the enemy with large units to frustrate the "punitive" operations of the Japanese imperialists, moving about broad areas along a secret route, and clearly indicated the way for its implementation.

His work is a historical one that made it possible to smash the enemy's unprecedentedly large-scale "punitive" operations and continue to vigorously develop the anti-Japanese armed struggle.

The main unit of the KPRA, led by the great leader, intensively attacked the enemy in different areas along River Tuman and lured them up ridges and down valleys in Helong and Antu areas. Then, it quickly marched several hundred ri (one hundred ri equals forty kilometres) to the North and reached a remote place of Dunhua. In December 1939, it raided on the enemy at the Liukesong and Jiaxinzi lumber stations to deal a heavy blow at the enemy.

After decoying large forces of the enemy to a remote place of Dundua, the great leader quickly slipped away to the south and organized and guided 40-odd days of military and political study in Baishitan in the basin of River Songhua and prepared politically and militarily all the soldiers of the unit including the 200 soldiers recruited in Liukesong and Jiaxinzi.

In February 1940, he, leading the main unit of the KPRA, left the Baishitan secret camp and marched to the border area along River Tuman again. In March he triumphantly organized and guided a raid on Damalugou, one of the enemy's "punitive" strongholds, and dealt an annihilating blow at the enemy there.

Since the great leader Comrade Kim Il-song, an ever-victorious iron-willed brilliant commander, put forward the unique policy of large-unit circuit operations in the hardest time and wisely led the efforts for its implementation, it was possible to frustrate through the Hongqihe battle "the winter punitive operations of the Nozoe punitive command" which was trying to "wipe out at a stroke" the KPRA with the mobilization of large forces more than 200,000 strong and won a brilliant victory.

The policy and the rich experience gained in the course of implementing it enriched with new contents the unique strategy and tactics and method of the guerrilla warfare created by the great leader. They were, indeed, greatly conducive to the development of the working-class revolutionary military art.

Professor Describes Nation's Health Program

SK0510072894

[FBIS Editorial Report] Pyongyang Radio Pyongyang in Korean to South Korea at 1700 GMT on 2 October 94 carries a 14-minute lecture on the North Korean health system by Yi Hak-pong, an assistant professor and associate doctor, in the 39th installment of the serial program entitled "The Superiority of Our Country's Socialist System."

In the talk, the professor insists: "In the northern half of the Republic, smallpox, cholera, relapsing fever, malaria, and other epidemics have long disappeared, and venereal diseases, drug addiction, alcoholism, and AIDS—which is called the plague of the 20th Century—as well as other diseases found in degenerate and ailing societies do not exist at all."

Closing Reception Held for Film Festival 4 Oct

SK0510063694 Pyongyang KCNA in English 0516 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—The Pyongyang Municipal Administration and Economic Committee arranged a friendship gathering on Tuesday upon the successful closing of the Fourth Pyongyang Film Festival of Non-Aligned and Other Developing Countries.

Invited to the gathering were delegations and delegates from different countries, international organizations and regions, guests of honor who had participated in the festival and members of its international jury and participants in the film fair.

The members of the film delegation of the General Association of Korean Residents in Japan were also invited.

Present there were Vice-premier and Minister of Culture and Art Chang Chol who is chairman of the organizing committee of the festival, Chairman of the Pyongyang Municipal Administration and Economic Committee Pak Nam-ki, other officials concerned and moviemen in the city.

A speech was made at the gathering.

The participants exchanged successes and experiences in making progressive movies reflecting the struggle of peoples for independence and for the building of a new society and their life.

South Korea

North, U.S. Discuss Procedural Matters at Talks

SK0510230794 Seoul KBS-1 Radio Network in Korean 2200 GMT 5 Oct 94

[FBIS Translated Text] The United States and North Korea resumed talks of senior delegates last night, Korean time, at the North Korean Mission in Geneva to discuss a solution to the North Korean nuclear problem. However, they ended the talks after 55 minutes without discussing practical issues.

Delegates of the two countries told reporters after the talks that they discussed only procedures of talks but did not discuss practical issues.

When asked whether North Korea demanded that $2 billion be paid in compensation for the freezing of its nuclear program, Kang Sok-chu, North Korean first vice foreign minister, said North Korea had not advanced such a proposal, adding that the compensation issue would be discussed seriously.

The two sides agreed to hold plenary talks in mornings and small- scale working talks in afternoons at the North Korean Mission.

Schedule 'Full Session' 6 Oct

SK0610015394 Seoul YONHAP in English 0132 GMT 6 Oct 94

[FBIS Transcribed Text] Geneva, Oct. 6 (YONHAP)—The United States and North Korea will meet again Thursday [6 October] for full-fledged negotiations on Pyongyang's disputed nuclear program.

On Wednesday, the two sides' chief delegates resumed the third round of high-level talks at the North Korean representative mission here, but called it a day 55 minutes later without addressing the major issues—special inspections by the International Atomic Energy Agency (IAEA) of the North's nuclear facilities and the disposition of 8,000 spent fuel rods taken earlier from its nuclear reactor at Yongbyon.

Chief U.S. negotiator and Ambassador-at-Large Robert Gallucci and his North Korean counterpart, Vice Foreign Minister Kang Sok-chu, said they had agreed to hold a full session Thursday followed by a chief delegates' meeting in the afternoon.

The site of Thursday's meeting has yet to be determined.

Gallucci, who is also assistant secretary of state, told reporters he had not engaged in any practical discussion with Kang at the first day's meeting. He said they had only talked about procedural matters, adding that no new proposals had been put forward by Pyongyang.

For his part, Kang said he did not make an issue of the reported North Korean demand for 2 billion dollars in cash in return for Pyongyang's freezing its nuclear development program. He was responding to reporters' questions about such compensation reports, saying only that "the compensation matter is being discussed seriously and constructively."

A diplomatic source here said the meeting saw the two sides sharing views on the need to reach a compromise: They did not conduct practical negotiations, however, nor did they make any new proposals. The source observed that at the full session on Thursday, the North Koreans and the Americans will review what was discussed by working-level officials on Sept. 30 and Oct. 3-4 during Gallucci's absence.

While the chief delegates recessed for a week, working-level officials from the two countries continued to meet to sound out the other side's position on the issues in dispute.

Meanwhile Gallucci, returning to Geneva after a week of consultations with his home government, told reporters he was prepared to make positive efforts to solve the nuclear problem. He said he had shared similar views with South Korean Foreign Minister Han Sung-chu in New York Monday on proceeding with the high-level talks, adding that Washington would remain in close contact with Seoul during the talks with Pyongyang.

Kim Yong-sam Interviewed on State Affairs 5 Oct

SK0610091394 Seoul KYONGHYANG SINMUN in Korean 6 Oct 94 pp 3, 4

[Interview with President Kim Yong-sam by KYONGHYANG SINMUN Editor-in-Chief Hong Song-man at Chongwadae (presidential offices) on 5 October]

[FBIS Translated Excerpt] [Hong Song-man] Do you have any intention to be the first to propose holding a North-South summit? How will you respond if, as a precondition for a summit, the DPRK demands a government apology in connection with the controversy over not expressing condolences over Kim Il-song's death? Will you agree to a summit if the DPRK proposes holding it in Pyongyang?

[Kim Yong-sam] For domestic reasons, the DPRK demanded the North-South summit be postponed. Therefore, it is reasonable for Pyongyang to propose such talks first. The site of the talks and other procedural matters must be discussed anew considering the changed circumstances. An apology with regard to condolences is unreasonable.

[Hong] The DPRK has outwardly rejected an "ROK-style" light-water reactor. The DPRK has also tried hard to exclude the ROK from negotiations on light-water reactors and special inspections, insisting they are a DPRK-U.S. issue. Will the government assist in building light-water reactors even if it is not able to play a central role?

[Kim] In resolving the North Korean nuclear issue, it is important to ensure North Korea's nuclear transparency, which includes the clarification of its past nuclear activities, and to fundamentally prevent Pyongyang from acquiring the capability to build nuclear weapons. Toward this end, we intend to have the DPRK fulfill its duties under the Nuclear Nonproliferation Treaty, which includes submitting to special inspections, and replace its graphite-moderated reactor with a light-water reactor system. The ROK and the United States think it is absolutely necessary for the DPRK to accept special inspections in order to thoroughly resolve the nuclear issue. I have made it clear to President Clinton that "we will play a central role in providing the DPRK with light-water reactors if the nuclear issue is resolved, if North Korea's nuclear transparency is assured, and if an ROK-style light-water reactor is chosen."

[Hong] Some people point out our government's diplomatic team is not just pro-U.S. but also submissive to the United States. Many are pessimistic that after the United States reaches an agreement with the DPRK regarding light-water reactors, Washington will ask us to accept it, and we will comply. Is ROK-U.S. cooperation satisfactory? Will you cite our conditions for supplying light-water reactors?

[Kim] The North Korean nuclear issue is not only a North-South issue, but an international issue as well. The DPRK-U.S. talks are part of those international efforts. As a concerned party, the ROK has played a leading role within the international cooperation system, a system that involves many countries and includes the ROK, the United States, and Japan. The United States will not make any decisions which we oppose and will consult with us before making any decisions. During his recent visit to the United States, Russian President Yeltsin officially asked President Clinton whether Russian-made light-water reactors will be chosen. Clinton rejected this flatly, saying: "It has been concluded that an ROK-style light-water reactor will be chosen. There is no other choice. Only the ROK can finance this reactor supply project."

[Hong] You have said you expect the supply of a light-water reactor will become a priority national project for both nations, while the DPRK thinks it will be provided with light-water reactors as a form of compensation for abandoning its nuclear program. Also, the DPRK views this issue not as part of North-South relations, but as part of international relations. How will you explain such differences to the people?

Also, the DPRK has requested not only light-water reactors, but financial assistance in providing electricity while the light-water reactors are under construction and compensation for discontinuing the construction of its graphite-moderated reactors. Do you think we should accept these demands? If we share the expenses for light-water reactors, how much do you think we can provide?

If you think the supply of light-water reactors is not a North-South issue but an international issue, what countries do you think will participate in supplying light-water reactors?

[Kim] As I have said, if North Korea's nuclear transparency is ensured, if an ROK-style is chosen, and if the ROK plays a central role in designing and constructing the light-water reactors, we will finance the project accordingly. At present, the ROK and the United States have been examining a plan to form an international consortium called the "Korea Energy Development Organization" that will supervise the supply of light-water reactors. What countries will participate in this consortium, what role each country will play, and how much money each country will contribute, will be discussed in earnest depending on the progress of the DPRK-U.S. talks.

[Hong] The ROK foreign affairs team is appraised as weak in strategic and tactical approaches, in other words, inexperienced. For instance, some people point out that they treat the North Korean nuclear issue as someone else's problem. How do you appraise the foreign affairs team?

[Kim] In any issue, it is desirable to have diverse opinions in the course of policymaking. I make a final decision after digesting such opinions. The world is in an interim period in which the Cold War has collapsed and a new order is forming. I should point out that many countries are experiencing difficulties in adjusting to the new order.

[Hong] On various occasions you mentioned the possibility of a sudden collapse of the DPRK. How do you diagnose the current situation in the DPRK? Do you have the latest information? How are we preparing for this "sudden collapse?"

[Kim] Along with economic and other difficulties, the DPRK is undergoing a critical transitional period in its power structure. We are working to be fully prepared for any changes in North Korea. It is not beneficial to reveal the contents at this time.

[Hong] Many think the role of the U.S. Forces in Korea, or the justification of their presence in the ROK, has dwindled since the DPRK has virtually no backing following the opening up of the PRC and the collapse of the Soviet Union. What is your opinion on a gradual withdrawal of U.S. Forces from Korea?

[Kim] The weakened alliance between the PRC and Russia with the DPRK helps deter North Korea's war provocations. Pyongyang, however, has deployed two-thirds of its military forces along the demarcation line, and there is no sign North Korea has changed its military policy toward the South. At a time when tensions on the Korean peninsula are heightened due to the North Korean nuclear issue, the role of U.S. Forces in Korea is more important than at any other time. [passage omitted on constitutional revisions and industrial reform]

[Hong] Regarding suspended North-South economic cooperation, business circles fear that U.S. or Japanese companies may enter the DPRK first and obtain rights and privileges. When and under what conditions do you intend to allow ROK businessmen to visit North Korea?

[Kim] There is no change in the government policy to allow business trips to the North and promote economic cooperation in accordance with progress in resolving the North Korean nuclear issue. Details will be flexibly decided depending on developments. [passage omitted on corruption, labor relations, and environmental issues]

Speculation on North Economic Mission's Visit

SK0610041794 Seoul YONHAP in English 0246 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—North Korea will send a high-level economic mission to Seoul next week for the first time since Kim Il-song's death in July, at the invitation of the European Union Chamber of Commerce (EUCC) here, to attend an international meeting at a Seoul hotel opening Tuesday.

The National Unification Board (NUB) is reportedly planning to allow the visit with a view to improving inter-Korean relations, which have been strained since Kim's death.

During the EUCC meeting, the North Korean Mission will explain about the Najin-Sonbong free economic and trade area, with stress placed on its foreign investment environment.

The EUCC earlier sent Pyongyang, through the UN Development Program (UNDP) office in Seoul, an invitation to attend the meeting in Seoul. North Korea accepted, saying it would send a four-member delegation headed by Vice Chairman Im Tae-dok of the External Economic Cooperation Promotion Committee.

A vice minister-level official, Im is known as a confidant of both Kim Tal-hyon and Kim Chong-u, leading advocates of reform in Pyongyang. He visited Seoul twice in 1992 to attend a UNDP Program Management Committee meeting on development of the Tumen River basin in February and to accompany External Economy Commission Chairman Kim Tal-hyon in July.

The economic mission's visit is attracting special attention here, as it provides North Korea watchers with a rare opportunity to glimpse Pyongyang's post-Kim Il-song economic policy.

In view of Pyongyang's intensified slandering of the Seoul government, including President Kim Yong-sam, after Kim Il-song's death, the fact that it is sending a high-level economic mission to South Korea is almost beyond the imagination.

The move is fueling speculation here that Pyongyang plans to pursue a policy of separating economics from politics in its approach to Seoul.

The North Koreans must feel the need for South Korean cooperation in their economic development efforts, such as the Najin-Sonbong free trade area, while refusing to resume political contacts with the South including an inter-Korean summit and a joint South-North nuclear control committee meeting, officials here observe.

Last month the North, while continuing its anti-South propaganda offensive, offered, through a Korean-Chinese businessman, two South Korean companies the rights to lease land in the Najin-Sonbong free trade area.

The North proposed to let the South Korean firms put up billboards in Najin-Sonbong and develop a tourist course linking Mt. Paektu to the free trade area.

Early last month, Pyongyang also formed "the national development council of Korea" as the agency responsible for economic cooperation with the South. It has already sounded out Daewoo, Hyundai and other South Korean companies about their plans to invest in North Korea.

The high-level North Korean economic mission's visit to Seoul next week can be viewed simply as part of the North's efforts to overcome its economic crisis, the officials say.

By participating in the EUCC-sponsored meeting, the mission will try to attract European investment in the Najin-Sonbong zone. But some officials say the mission's visit must carry some political significance. While in Seoul the mission chief, Im Tae-dok, will probably meet with some South Korean officials: The North Koreans, expecting this possibility, must make due preparations.

Pyongyang's decision to send an economic mission to Seoul should be seen as separate from its anti-South propaganda offensive, the officials say, adding, "whether the mission will merely attract European investment or show signs of change in the North's attitude toward the South remains to be seen."

North Official: Kim Chong-il 'Supreme Leader'

SK0610014694 Seoul KBS-1 Radio Network in Korean 0100 GMT 6 Oct 94

[YONHAP from UN headquarters]

[FBIS Translated Text] North Korean Vice Foreign Minister Choe Su-hon referred to Kim Chong-il as North Korea's supreme leader [choego yongdoja] in his keynote speech delivered to the UN General Assembly today, thus officially reconfirming Kim Chong-il's succession of power in the United Nations. Vice Minister Choe said that Kim Chong-il is the supreme leader of the DPRK and the supreme commander of the revolutionary armed forces, and that he is actively leading overall party, state, and military affairs. However, Vice Minister Choe did not mention anything about Kim Chong-il's inauguration as president and party general secretary.

Kim Chong-su, deputy permanent representative of North Korean Mission to the United Nations, said that Kim Chong-il's inauguration as president will take place with the support of the people sooner or later, and that it is only a matter of procedure.

Professor Arrested for Pro-North Activities

SK0610095394 Seoul YONHAP in English 0752 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—The Agency for National Security Planning (NSP) arrested Prof. Chong Hyon-paek of Songgyungwan University here Thursday [6 October] on charges of violating the National Security Law and is investigating her alleged pro-Pyongyang activities.

The agency apprehended Prof. Chong at her home in Kwachon, near Seoul, and is probing whether she organized pro-North Korea organizations, contacted North Koreans and received money from them. It is also looking into whether other professors are involved.

The agency has investigated professors who studied abroad in connection with Sogang University President Pak Hong's recent allegation that some professors were financed by North Korea while studying in foreign nations, an NSP official said.

Prof. Chong left for Germany in 1978 and obtained a master's degree and a doctorate in the history of the German labor movement at Bochum University. She has served as a professor in the Department of History at Songgyungwan University since 1986 and is suspected of contacting North Koreans and being paid for staging pro-Pyongyang activities during her study in Germany.

The NSP has investigated about 10 other professors besides Chong.

Increased U.S.-South Defense in Asia Urged

SK0610071894 Seoul YONHAP in English 0637 GMT 6 Oct 94

[FBIS Transcribed Text] Washington, Oct. 5 (YONHAP)—South Korean Defense Minister Yi Pyong-tae said Wednesday the Republic of Korea (ROK)-U.S. security alliance for the defense of the Korean peninsula should gradually develop into an alliance preserving peace and security in Northeast Asia when the North Korean threat disappears.

Speaking on the future development of the ROK-American alliance at the U.S. Army War College in Carlisle, Pennsylvania, he stressed the need for Korea to play the leading role in maintaining security on the Korean peninsula while cooperating closely with the United States and other countries to defend Northeast Asia under the new ROK-U.S. security partnership.

His remarks were tantamount to a proposal that Seoul and Washington beef up their roles in defending the Korean peninsula and Northeast Asia and that the two nations form a new security alliance on the basis of their increased defense roles.

He maintained, however, that deterrence of the North Korean threat would remain the prime objective of the ROK-U.S. defense treaty for the time being.

When the threat posed by Pyongyang wanes enough that the two countries need no longer worry about security on the Korean peninsula, the ROK-U.S. security alliance should shift its focus to heading off danger in Northeast Asia, he emphasized.

The shared ROK-U.S. defense roles and responsibilities will enhance their capability to deal with security problems of regional concern, he added.

Korea and the United States should develop their new security partnership into a multilateral security system.

The minister then urged the two countries to expand their military alliance into a broader partnership, noting that establishing wider security cooperation is in both nations' common interest.

Yi's audience included some 1,000 field-grade and higher army officers from the United States and 39 other countries enrolled in the U.S. Army War College.

Civic Leaders Urge SOFA Conditions Revision

SK0610023694 Seoul THE KOREA TIMES in English 6 Oct 94 p 3

[By staff reporter Sim Chae-yun]

[FBIS Transcribed Text] A group of civic leaders yesterday called for revision of the agreement on the Status of the United States Armed Forces in Korea (SOFA), alleging that the "unequal" pact renders too many favors to the U.S. Forces in Korea (USFK) and their dependents, lacking steps to protect the national interest and sovereignty.

In a public hearing held at the Christian Hall in Chongno, they claimed that the SOFA has many discriminatory clauses against South Korea in the fields of jurisdiction, facility usage, tax favors, and personnel employment.

The SOFA should be rewritten to the same level of the similar agreements the United States signed with other nations, like those with NATO nations, Japan, and Australia, agreed the participants in the hearing organized by the Headquarters for National Campaign for Eradication of Crime by U.S. Troops in Korea.

The Paragraph 2 of the Article 22, for instance, is a conspicuously unfair article for it makes it a rule to have South Korea waive its right to exercise jurisdiction over the members of the U.S. forces or civilian components, and their dependents at the request of the military authorities of the United States, pointed lawyer Pae Kum-cha from Minbyun, or the Lawyers for Democratic Society.

"This kind of article can hardly be found in other agreements and should be corrected without fail, because it infringes upon the national sovereignty to a great extent," she argued.

During 1980-89, South Korea exercised jurisdiction in only 61 cases, or 0.5 percent of the total 12,701 crimes committed by U.S. servicemen, in sharp contrast with those in NATO nations, Japan and the Philippines, which saw 52, 32 and 21 percent, respectively, according to the female lawyer.

Another problematic point is Paragraph 1 of the same article, stipulating that the jurisdiction of South Korea shall not extend to any offenses committed outside the country by the members of the U.S. forces and their dependents, she said.

"This is extremely wrong since it prohibits South Korean authorities from exercising jurisdiction even on those who commit grave crime against the country outside its territory," she added.

Im Chae-hong from the Democratic Legal Studies Association took issue with the free-of-charge usage of facilities and land by the USFK.

Now the U.S. facilities are scattered in 120 places across the nation, occupying 300 square kms, or about one and half times the size of Inchon City, he said, adding that the annual rent cost for the free-of-charge facilities amounts to about 2.4 billion dollars.

The United States is also using the its embassy building without giving appropriate payment as well as the spacious military camps in Yongsan in downtown Seoul, he said.

"The contracts over the use of the facilities should be renewed every five years, and the Korean government should have a greater hand in checking the U.S. military camps." he added.

Peacetime Operational Control Transfer Agreed

SK0610083894 Seoul YONHAP in English 0826 GMT 6 Oct 94

[FBIS Transcribed Text] Washington, Oct. 6 (YONHAP)—South Korea and the United States agreed Thursday [6 October] to transfer peacetime operational control, currently held by the Korea-U.S. Combined Forces Command, to the South Korean Armed Forces starting Dec. 1.

They also decided to readjust the scale and launch time of the U.S. forces' flexible deterrence option (FDO) in case of crisis on the Korean peninsula.

The decisions were made during the 16th Military Committee Meeting at the U.S. Defense Department between the South Korean Chairman of the Joint Chiefs of Staff, Gen. Yi Yang-ho, and his American Counterpart Gen. John M. Shalikashvili.

The chairmen reaffirmed they would return peacetime operational control to the South Korean Army as agreed at last year's Security Consultative Meeting (SCM) between Seoul and Washington.

They then signed the No. 2 Strategic Instruction, which elucidated the scope of the returned control and the new functions and organization of the Korea-U.S. Combined Forces Command.

The two countries also decided to hold a defense ministers' meeting Friday to finalize the follow-up to all terms of reference for the Military Committee Meeting and the Combined Forces Command.

Under the agreement, the South Korean Joint Chiefs of Staff can carry out independent operations in peacetime without needing approval from the commander of the joint command.

Despite the transfer of operational control, the Combined Forces Command will retain the right to conduct major wartime operations under the commission of the South Korean Government.

Meanwhile, the two sides also agreed to place the existing armistice agreement system under the responsibility of the United Nations Command in Korea.

Seoul, U.S. Differ on Compilation of Statistics

SK0610035494 Seoul THE KOREA TIMES in English 6 Oct 94 p 9

[FBIS Transcribed Text] Korea and the United States are in dispute over a statistical difference in trade data. Both sides claim that they have sustained a deficit in bilateral trade with each other. Korea announced that it sustained a deficit of 335 million dollars in its trade with the United States while the United States said that it sustained a deficit of 1,513 million dollars in its trade with Korea in 1991.

The difference in the 1991 bilateral trade statistics amounted to as much as 982 million dollars. This statistical difference does not originate from the manipulation of data but because of the use of different methods in the calculation and definition of trade, a Korean Customs Service (KCS) official said.

For example, the KCS includes freight and insurance fees in calculating import amounts while the United States does not. The statistical difference also originates from the difference in the timing of calculating export figures. Korea records exports when it issues export permits to exporters while the United States records exports only when goods depart an American port.

Both sides also have difficulty in tracking goods which enter Korea and the United States via third countries, the KCS official said.

Korea, a major container exporter, includes containers as exports while the United States excludes containers from trade figures, he added.

In Korea, ships moving in and out of Korea for repair are recorded as imports and exports but Washington excludes cross-border movement of ships for repair from its export and import figures.

Korea does not include its exports to Puerto Rico and the Virgin Islands in its exports to the United States, but the latter includes imports into these "American territories" as U.S. imports.

President Kim Meets Czech Prime Minister Klaus

SK0610081894 Seoul YONHAP in English 0716 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—President Kim Yong-sam met with visiting Czech Prime Minister Vaclav Klaus Thursday [6 October] morning and agreed to promote substantial cooperation in trade and expand bilateral cultural exchanges.

During their one-hour talks at Chongwadae [presidential offices], the presidential mansion, Kim and Klaus decided to seek their countries' entry into the Organization for Economic Cooperation and Development (OECD), where they would work together to attain elastic and non-exclusive operations.

The Korean president requested the Czech Republic's support for efforts to solve the North Korean nuclear problem and for Seoul's bid to gain a non-permanent seat on the United Nations Security Council (UNSC). The Czech premier replied that his country has shared interests with Korea and will maintain the same position on Pyongyang's nuclear problem, while promising to back Korea's drive to join the UNSC, Senior Presidential Press Secretary Chu Ton-sik said.

Kim also asked Klaus to help Korean firms make inroads into the Central European country in electronics, including time division exchange (TDX), and communications such as optical cables.

In return, Klaus requested that Korean companies enter the Czech Republic which, although currently in the process of privatizing state enterprises, needs new management methods and technological development.

As to Kim's request for Czech cooperation in Korea's efforts to have Trade, Industry and Energy Minister Kim Chol-su become the first director-general of the World Trade Organization (WTO), Klaus said that his country has yet to support anyone and that he will consider the matter after returning home.

Kim will give a dinner for Klaus Thursday evening at Chongwadae.

Meanwhile, Klaus is scheduled to meet Prime Minister Yi Yong-tok later in the day to exchange views on promoting a friendly and cooperative relationship between their nations.

Klaus arrived here Wednesday for a three-day official visit at the invitation of President Kim.

He is the first prime minister from the Czech Republic to visit Korea since the Central European country separated from Slovakia in January 1993.

The prime minister's visit is expected to intensify the basis for substantial bilateral cooperation in the economy and in trade and to contribute to Korea's efforts to expand its diplomatic base.

Air Force Chief of Staff on Introducing AWACS

SK0610064094 Seoul TONG-A ILBO in Korean 6 Oct 94 p 4

[Report by Hong Un-taek]

[FBIS Translated Text] Lawmakers questioned the frequent occurrence of aircraft accidents—such as the incident of the UH-60 helicopters which crashed while carrying the late Air Force Chief of Staff Cho Kun-hae—in the parliamentary investigation of state affairs for the Air Force Headquarters.

Lawmakers Kang Chang-song and Yim Pok-chin, both from the Democratic Party, pointed out that of the 931 cases of aircraft crashes that have occurred since the Korean war, 625 cases, or 67.1 percent, were attributed to pilot's mistakes. Then the lawmakers questioned whether there were any cases where the crash was caused by a flaw in the aircraft rather than the pilot's mistake.

Air Force Chief of Staff Kim Hong-nae said: The incidence of accidents in our Air Force is about the same level as that of the U.S. Air Force, and lately, we have been investigating the causes of the accidents on a scientific basis.

Air Force Chief of Staff Kim went on to report to the lawmakers: North Korea has deployed 40 percent of its fighter planes south of the Pyongyang-Wonsan line, thus maintaining a posture of being able to wage a prompt attack from the present position without a redeployment of combat strength. In conjunction with the U.S. Air Force, our Air Force is intensifying its round-the-clock, all-area surveillance system. Besides, we are augmenting the combat strength of the bases in the central and northern region step by step so that we can maintain a posture of rapid counterattack.

Air Force Chief of Staff Kim then added: In order to equip the Air Force with the capability of aerial operations command control system, we are pushing ahead with a plan, as part of the medium- range defense plan, to introduce an airborne warning and control system [AWACS] by early 2000.

38 Face Jail, Discipline as Result of Desertions

SK0610142294 Seoul YONHAP in English 1114 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—A total of 38 army officers and men have been either arrested or referred to disciplinary committees in connection with the desertion of two junior officers and a sergeant from their east coast unit on last Sept. 27, the army reported Thursday [6 October].

Twenty-nine of them were arrested, who included the three deserters, three officers charged with the neglect of duty, four soldiers with gang battery of officers, and 19 soldiers with insult to officers and habitual gambling.

Among those referred to disciplinary committees was Col. Sin Yong-sun, commander of the 127th Regiment of the 53rd Division.

The army said a preliminary investigation had revealed that soldiers of independent coastal guard posts deliberately sought to discredit the authority of their new platoon leaders in an attempt to retain their voices.

On the other hand, junior officers like squad and platoon leaders lacked ability to cope with the reality properly while higher officers like regimental and battalion commanders handled platoon leaders' grievances and recommendations in a lukewarm manner, it said.

"The desertion seems to have been caused by indwelling discontent among the officers involved who were dragged into frictions between themselves trying to establish their authority and senior platoon soldiers attempting to retain their vested rights," the army said.

Events in Spain Canceled With Ministerial Change

SK0610034794 Seoul THE KOREA TIMES in English 6 Oct 94 p 9

[FBIS Transcribed Text] The Ministry of Finance has suddenly canceled a number of news-making events in Madrid where the 49th annual meeting of the International Monetary Fund and the World Bank meeting is under way.

Deputies to former finance minister Hong Chae-hyong were said to have prepared "four major big bangs" to highlight their boss's stay in Madrid. One of the four attention-catching events was the announcement of a hike for the foreign stock ownership ceiling, sources said.

Other surprise announcements included the government's plan to reform the foreign exchange system and capital flow decontrol plans. The announcements were to have been unveiled by Hong when he met the Korean press there.

It was no coincidence that the Seoul stock market was in the bull over the past few days because of the rumors that Hong would unveil plans to expand the foreign stock ownership ceiling in Madrid.

Following the change of the head in the Finance Ministry, telephone calls flooded newspaper companies from people seeking to gauge the new stock market policy of Finance Minister Pak Chae-yun.

All these surprise "media plays" were canceled immediately after Hong was promoted to deputy premier-Economic Planning Board minister Tuesday.

Hong has adroitly used part of the five-year financial reform plans in public speeches to bolster his reform-minded image over the past 20 months. And this strategy was successful, winning the heart of his immediate boss President Kim Yong-sam.

New Deputy Prime Minister on Economic Policies

SK0610033494 Seoul THE KOREA HERALD in English 6 Oct 94 p 8

[FBIS Transcribed Text] Deputy Prime Minister Hong Chae-hyong said yesterday that domestic businesses will not be given greater access to low interest loans from abroad at an early date.

Though it is desirable to allow businesses to raise funds at low costs, Hong said, the influx of foreign capital would increase money supply and put pressure on the Korean won to appreciate.

That is one of the reasons why the government should not allow domestic businesses to secure commercial loans from abroad before it comes up with policy alternatives to offset the expected negative impact from the liberalization of capital movements, including the inducement of commercial loans, he said.

Before Hong was promoted from the post of minister of finance to become deputy prime minister and minister of finance, [as published] the Economic Planning Board (EPB) had held the position that businesses be allowed to induce commercial loans from abroad, whose interest rates are lower than domestic rates.

It is yet to be seen how Hong will reconcile with the EPB, which he heads, on the issue of permitting commercial loans from abroad at an early date, to which the Ministry of Finance is opposed.

The new deputy prime minister and minister of economic planning said he will give top priority to stabilizing prices and promoting deregulation.

Stable prices are a precondition for savings, which are channeled to finance investments by businesses, he said.

Market forces need to replace government intervention as is suggested by the International Monetary Fund, he said.

However, he said, the government will promote deregulation gradually instead of making abrupt changes.

One area for continued government intervention is prices, he said.

"There are some areas that need government intervention at the moment. We will reduce government intervention in these areas gradually. I have no intention of making a U-turn in our economic policy," he said.

He declined to comment whether or not the government will continue to intervene to prevent the Samsung Business Group from importing technology from Japan to assemble passenger cars.

"It's a very sensitive issue," he said. "I cannot comment on the issue before consulting with the ministry handling the issue.

Referring to the concentration of economic power in the hands of a select few, he said it is important how chaebol, or family-controlled conglomerates, are induced to contribute to enhancing national competitiveness.

"You don't have to look askance at chaebol just because they are chaebol. They are needed economic units, provided that they contribute to the Korean economy," he said.

But he added the ownership of chaebol by families must be diluted in the year's ahead.

Ministry: Embassies Misuse Entertainment Budgets

SK0610094594 Seoul YONHAP in English 0726 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—Some overseas diplomatic missions have misused their budgets to entertain visitors from the home country, according to material the Foreign Ministry submitted to the National Assembly Thursday [6 October] for use as reference in its inspection of the ministry.

The ministry's auditing of embassies in 11 countries, including that in Japan, revealed that they diverted 250,000 U.S. dollars from their operating funds to entertain both official and unofficial visitors from Seoul between January last year to this past June.

At some embassies, more money was spent on unofficial visitors. For instance, the embassy in Tokyo used 70,000 dollars to entertain unofficial visitors in the one-and-a-half-year period, compared with only 40,000 dollars for official visitors.

To conceal these budget misappropriations, the embassies charged such spending to their accounts for entertainment of foreign- and host-country visitors.

They also spent much more money on home-country visitors than the set 30-50 dollars for both foreign- and host-country visitor.

The embassy in Finland shelled out the largest amount—80.8 dollars—on every home-country visitor, followed by the embassy in Romania with 79.4 dollars and the consulate-general in Seattle with 63.5 dollars.

In some embassies, part of the money used to entertain home- country visitors came from embassy officials' pockets.

In addition, some visitors from the home government made direct contacts with agencies of the host countries, defying overseas trip rules and diplomatic formalities.

The Foreign Ministry is studying plans to improve the way overseas missions entertain visitors from the home country so that these missions can shed the burden of "unnecessary" treatment for home-country visitors, such as meeting them at airports.

Further on BAI Inspections

SK0610143694 Seoul YONHAP in English 1014 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—Overseas embassy officials spend many office hours in escorting or otherwise helping visitors from the home country at the cost of part of their inherent duties.

This was revealed in the recent inspections made by the Board of Audit and Inspection (BAI) of the embassy in Japan and eight other embassies and consulates in seven countries.

A BAI report to the Foreign Ministry on the results of the inspections on Thursday [6 October] said that an embassy or consulate official usually spends four to five hours in helping an incoming high official or otherwise prominent person from the home country.

In most cases, an embassy or consulate official "greets" a visitor at airport, helps him retrieve his luggage and escorts him to a hotel.

The report said that one to two officials of the embassy in Tokyo and two to three officials at the New York Consulate General spend 158 days and 121 days of a year, respectively, in driving to and from airports to help visitors.

At the embassy in Singapore, in particular, the ambassador himself often met visitors at airport to cause problems in the execution of his embassy duties, the report said.

Most Presidential Spaces at Facilities Abolished

SK0510112794 Seoul YONHAP in English 1026 GMT 5 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 5 (YONHAP)—Most of the exclusive presidential lodging and resting facilities created in major local cities and at key public facilities during the periods of the past authoritarian regimes have been refit for other uses, a Chongwadae [presidential offices] material released by a lawmaker showed on Wednesday [5 October].

According to the material made public by Rep. Yi Yun-su of the Democratic Party, there is only one exclusive presidential facilities presently. In 1988, such facilities numbered 18 across the country.

The only existing one is the presidential lodging facilities in Cheju, Cheju Province, part of which is being used as the Cheju governor's residence.

Before the incumbent government came into being in early last year, there were exclusive deluxe presidential lodging facilities in almost all the provincial capital cities, which were often referred to as "local Chongwadae."

In addition, exclusive presidential resting places were created at major government office buildings, National Assembly, military- run golf courses, Olympic Stadium and even at key service areas along expressways.

The material indicated that the local lodging facilities were turned into provincial culture-art halls and those at military installations into servicemen's resting centers.

Presidential office spaces at government office buildings are being used as ordinary office rooms and the one at the National Assembly as a VIP waiting room, while those at expressway service areas and the Olympic Stadium as public resting spaces.

Rep. Yi said there still are four to five unofficial exclusive presidential facilities including the one at the Seoul Airport. "I think these too should be abolished and used for other purposes," Yi said.

Kim Tae-chung 'Political Comeback' Questioned

SK0610093394 Seoul YONHAP in English 0748 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—In the eyes of the country's ruling camp figures, former opposition leader Kim Tae-chung's recent conduct appears to signal visions of a political comeback.

Kim declared his political retirement in 1992 upon his defeat in the presidential election, saying he would lead a quiet private life.

Sometime later, he established a peace foundation in his name for the Asia-Pacific region to engage in purely non-political matters involving South-North Korean affairs and national unification.

Although he has refrained from making any political remarks for quite a long time, he occasionally criticizes the government's national unification policies.

But his latest remarks, during a lecture on local elections scheduled for next year, are creating concern in the ruling party.

At a seminar on the local polls, Kim asserted that if the local autonomy system had been implemented during the 1992 presidential election, the opposition candidate (Kim himself) would have been in a more advantageous situation.

He then observed that the parliamentary polls in 1996 and the presidential election in 1997 will be managed by local administrative bodies elected by the voters.

Political observers interpret Kim's statements as an indication that he harbors limitless aspirations for the forthcoming presidential race.

Few, at least in the government and the ruling camp, accepted his political retirement at face value.

Nevertheless, many still have a dual view of his future role—he will surely resume his political activities, or he cannot come back to the political arena again.

Many in the ruling camp blame themselves for having fanned Kim's new ambitions, with the former opposition leader apparently taking advantage of recent political and social developments in the country.

The observers explain that Kim is availing himself of a series of events including the recent kidnap-murders, army officers' desertion, the dispute over administrative rezoning and inefficient policy coordination among government agencies toward North Korea.

While the government was not been consistent in its policy toward Pyongyang, Kim has pressed for a package deal, providing him the opportunity to turn his eye toward actual politics.

In reality, many former powerful figures have been alienated in the course of the incumbent government's reform and inspection drive. To make matters worse, the overwhelming public support for the Kim Yong-sam government early on has been waning.

The observers say the alienation of the so-called TK faction (people from Taegu and North Kyongsang Province) provided decisive momentum for Kim's political motivation as the confrontation between South and North Kyongsang Provinces might supply a good chance to expand his political influence.

Kim's recent decision to serve as an adviser to the memorial committee for the late President Pak Chong-hui is also regarded as open-mindedness toward past figures who have been deserted by the incumbent government.

But many other politicians predict Kim will not engage in naked criticism of the government, nor will he expose his ambition to make a political comeback, for now as his resumption of political activities would have immediate repercussions among the people.

Rather, he may harbor far-reaching aspirations that must be eventually supported by President Kim Yong-sam, his archrival in politics.

Kim Tae-chung: No Plans To Resume Politics

SK0610141694 Seoul YONHAP in English 1010 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—Kim Tae- chung, chairman of the Asia-Pacific Peace Foundation, said on Thursday [6 October] that as he had already disclosed, he has no plan to resume political activities.

Speculations were afloat recently in connection with some of his activities that he may return to active politicking.

In remarks made through his Chief Secretary Chong Tong-chae, Kim explained that the keynote speech he made at a recent seminar on the local autonomy system was because the institute that hosted the seminar had a special relationship with his foundation.

Kim Tae-chung had been a prominent opposition leader until he declared his retirement from politics upon his defeat in the presidential election toward the close of 1992.

"Chairman Kim made the keynote speech purely from an academic standpoint," Chong said.

"The chairman's recent acceptance of the position of advisor of the Pak Chong-hui Memorial Committee, too, stemmed from his spirit of reconciliation."

Burma

Abel Interviewed on Democratization Policies

OW0610020694 Tokyo ASAHI SHIMBUN in Japanese 5 Oct 94 Morning Edition p 9

[By Osamu Yamato]

[FBIS Translated Text] Yangon [Rangoon], 4 Oct—Brigade General David Oliver Abel, national planning and economic development minister of Myanmar's [Burma] military government, gave an interview to an ASAHI SHIMBUN reporter in Yangon on 3 October. In the interview, Abel clarified the Myanmar Government's new policy of accelerating denationalization of public corporations. He then stressed the government's "democratization efforts," such as holding discussions in the national conference on a new constitution. On the treatment of Aung San Suu Kyi, still under house arrest, he said: "Dialogue will continue to let her learn about the country's actual situation." To boost the open-door foreign policy, Abel expressed the government's intention to deepen ties with China and ASEAN nations.

Abel showed confidence in economic management by the military-led "State Law and Order Restoration Council" (SLORC) assumed in September 1988, saying: "We have scored certain achievements in stabilization of the economy under the market economic system and the open-door policy. The government is presently carrying out a four-year economic plan set in 1992, and the average economic growth rate has so far exceeded our target of 22 percent [sentence as received]. Hereafter, we will put emphasis on the improvement of industrial and farm infrastructure, as well as development of farm product processing and tourism."

When asked about privatization of national corporations, Abel stated: "In early 1990, the government revised its policy on nationalization of all industrial sectors, and we are now calling on the private sector to play a positive role in business activities. To further promote the denationalization policy, we have started a program to denationalize all industrial sectors, except for a couple of fields related to national security."

Myanmar has already privatized its international airline company and some railway services. From now on, it is expected to further promote denationalization beginning with light industry.

The denationalization policy was announced by SLORC Chairman (and Prime Minister) Than Shwe in late September. Than said: "National corporations have their merits and demerits. We have to make necessary corrections to appropriately deal with the market economic system." This was considered to be the sign of a new policy of seeking economic development in cooperation with domestic and foreign businesses.

Referring to democratization, Abel said: "Our situation is different from that of the United States or Japan, and we are carrying out democratization in our way." On the treatment of Aung San Suu Kyi, he said: "She has been on the outside of the nation for a long time, and I hope she understands Myanmar's present situation correctly. In this sense, we should continue dialogue with her."

Regarding foreign relations, Abel said he and SLORC First Secretary Khin Nyunt reconfirmed China's policy of expanding investments and economic aid to Myanmar during their recent visit to Beijing. He then disclosed loan negotiations are now under way on the Mandalay International Airport project.

On the Mekong development, Abel stressed: "All concerned nations should join discussions." Asked about expectations for Japan, he called for resumption of governmental aid programs and investment by the business sector.

Brunei, Malaysia & Singapore

Malaysia

ISDN Services to Singapore Available Commercially

BK0510154794 Kuala Lumpur Radio Malaysia Network in Malay 1300 GMT 5 Oct 94

[FBIS Translated Text] Telekom Malaysia Berhad [Malaysian Telecommunications Limited] has announced that ISDN [integrated services digital network] services between Malaysia and Singapore, which were set up on 1 September, can be obtained on a commercial basis as of 6 October. According to a Telekom Malaysia statement, Singapore is Malaysia's third ISDN destination after Japan and the United States, while services to the United Kingdom will be set up soon.

ISDN is a new technology that can be used for radio conferencing, high-speed facsimile, high-speed data transmission, and remote sensing. There are very encouraging demands for ISDN, given the number of new applications for the services. The demands are expected to further increase with the opening of the services to Singapore. Charges for phone calls are about the same, while charges for data and G-4 calls are one and a half times existing rates.

* Article Summarizes National Front Agenda

94SE0232C Kuala Lumpur UTUSAN MALAYSIA in Malay 24 Aug 94 p 6

[Article by Zainoor Sulaiman of BERNAMA: "National Front Agenda in the Mahathir Era"]

[FBIS Translated Text] The door of the National Front [BN] is always open to those who wish to enter. The BN is an organization that has forged together a variety of people and political interests in this country. Its struggle is based on specific principles. Whoever wants to accept those principles may join the BN.

Prime Minister Datuk Sri Dr. Mahathir Mohamad spoke those words as he took over the national leadership of the country and the BN. Although he made that statement 13 years ago, it remains relevant to current developments. He made that statement when the BN was preparing for a general election, and now the party machinery is in motion again in every corner of the country in preparation for a general election at any time.

The entrance of Sabah United Party (PBS) splinter parties into the BN following the recent fall of the PBS government in Sabah clearly shows that the BN under Dr. Mahathir's leadership follows a consistent policy.

Dr. Mahathir said the BN gives opportunity to each political party to join the government provided it accepts the BN's principles of struggle. He does not want anyone to be disappointed or left out. At that time, he laid down the New Economic Policy (DEB) as the basis of political struggle to ensure balance in economic development along with political stability. Simplicity was the basis for all activity. National unity and integration were made the primary agenda.

A single time zone was introduced to narrow the gulf of difference between the Peninsula and Sabah and Sarawak. He said that the faster the residents of Sabah and Sarawak thought like people of Malaysia rather than people of Sabah and Sarawak, the faster the process of national integration would move.

The prime minister selected the theme "Clean, Effective, and Trustworthy Government" as the BN manifesto for the first general election under his leadership. Earlier, he had directed all ministers, deputy ministers, chief ministers, and governors to declare their assets to him.

Leadership-by-example, time accounting cards, "the incorporation of Malaysia," the Look-to-the-East Policy, and the application of Islamic values were some of the policies introduced to streamline and improve the effectiveness of government machinery in order to move the country toward realization of the dream of becoming a respected, developed country.

For the sake of national unity and oneness of the Islamic community, Dr. Mahathir invited PAS [Pan-Malaysian Islamic Party] to rejoin UMNO [United Malays National Organization], but PAS responded to the invitation by running a candidate at Kubang Pasu to oppose the prime minister in the general election of 22 April 1982. He recalled the "orderly and peaceful" situation that existed among Muslims while PAS was in the BN in 1973-74.

He said the purpose of having the election earlier than scheduled was to obtain a mandate from the people so that he could focus attention on the development projects he had outlined.

Although the BN went on to win 27 seats—12 in the Parliament and 15 in state legislatures—on nomination day he had advised the party not to be "drunk" or exuberant about brilliant success on the upcoming election day. The BN achieved absolute victory in the election. With a new mandate, Dr. Mahathir led the government under a liberal and open policy.

The spirit of openness stressed by Dr. Mahathir further brought together the groups and viewpoints among members of BN component parties.

As the general election of 1986 approached, the issue of unity continued to be emphasized. The prime minister called on the people to reject candidates representing groups and elements that wanted to destroy national political stability by threatening communal harmony. Dr. Mahathir's appeal was welcomed by the people, and the BN again held power with a two-thirds majority.

He was happy and satisfied that the aim of the DAP [Democratic Action Party] opposition party to seize power in Pulau Pinang remained a dream, although the performance of Gerakan and the MCA [Malaysian Chinese Association] somewhat declined. The BN won 148 seats in Parliament, to 24 for DAP and four independents, and PAS was able to keep only one person in the House of Representatives.

The crisis in UMNO following Datuk Musa Hitam's resignation and the world economic recession did not hurt public support for the BN government led by Dr. Mahathir.

The BN cabinet that was then formed stressed economic restoration by giving special attention to unemployment and investment problems.

The clarity with which Dr. Mahathir condemned the opposition for stirring up a communal spirit in connection with the DEB issue and the special rights of Malays received the support of BN component members. They agreed that the goal of the DEB needed to be continued after 1990.

A National Economic Consultative Council (MAPEN) was formed to draft national economic policy after 1990. MAPEN, which represented all professional groups and political parties, recommended that the essence and philosophy of the DEB be maintained in national economic policy after 1990.

Although his position in UMNO was threatened when former Minister of Finance Tengku Razaleigh Hamzah headed a group of UMNO leaders in challenging his leadership in the party election of 1987, resulting in the cancellation of UMNO's registration, Dr. Mahathir's stature and leadership in the BN was not hurt. BN component party leaders continued to support his continuing leadership of the BN, with the result that UMNO was reregistered.

Therefore, it was not surprising that an alliance of opposition parties headed by the Spirit of '46 Party led by Tengku Razaleigh failed to topple the Central Government in the last general election. It was seen, however, that the Spirit of '46 helped PAS to regain power in Kelantan. DAP's desire to control Pulau Pinang remained only a dream.

The BN election machinery is now in motion throughout the country in preparation for a general election at any time. Some people predict that the election will take place this year, and there are also signs that it will be held at the beginning of next year. With the toppling of the PBS government in Sabah, BN's focus is on Kelantan and Pulau Pinang.

Will Dr. Mahathir be able to mobilize BN machinery to regain Kelantan?

How strong will the BN fortress in Pulau Pinang be against the DAP attack with its Tanjung Tiga Project?

* Chinese Community Said Shifting Support

94SE0232A Kuala Lumpur UTUSAN MALAYSIA in Malay 18 Aug 94 p 7

[Article by Sheah Wen Yann under the "Views From the Chinese Press" rubric: "MCA Plans Steps Against DAP"]

[FBIS Translated Text] The MCA [Malaysian Chinese Association] is now planning steps for facing whatever issues may be raised by its archenemy, DAP [Democratic Action Party], with the hope that it can get the majority vote from the Chinese community in DAP's strong camp. At the national level, the MCA has directed branch leaders to be patient toward charges hurled at them by people on the DAP side.

According to the CHINA PRESS, the MCA strategy is to reveal DAP activities wherever it teamed up with PAS [Pan-Malaysian Islamic Party] for the 1990 general election. The MCA is also challenging that opposition party about what happened to the donations contributed by the Chinese community and about whether DAP has fulfilled the promises it made to its supporters. The purpose of this action is to open the eyes of the Chinese community to DAP's weaknesses and its inability to defend the community's interests.

The MCA feels confident that the Chinese community will change its views on this BN [National Front] component party following the government's introduction of a more open policy regarding the 2020 Plan.

"At the same time, the Chinese community is given the liberty to work actively in politics, economics, culture, and education. Moreover, the MCA is not merely stating empty words but has launched campaign after campaign to collect donations to help the Chinese community build Chinese schools," the newspaper said.

Meanwhile, the Nanyang Siang Pau published an article explaining why DAP has remained an opposition party in this country for 28 years. According to the article, the Chinese community tends to take DAP's side to show its dissatisfaction with the implementation of the New Economic Policy (DEB), which is said to repress Chinese interests. That situation persisted until the last general election (1990).

"When the government introduced an open policy, several communal groups in our country enjoyed the assets and prosperity they obtained. The government's action began to threaten DAP's influence and position in the Chinese community, where the number of people who attend political seminars held by the party shows a lack of receptivity," the newspaper said. This was because statements made by DAP Secretary-General Lim Kit Siang consisted of out-of-date views on communal issues and denunciations of the government.

With its increasing political awareness, the Chinese community no longer wants to isolate itself by supporting a party that is behind the times. They now tend to join a political party that can give constructive ideas and can improve their standard of living. In the nineties, DAP is facing a crisis because its ideas of struggle based on communal groups are no longer in accord with the wishes of the Chinese community, which wants to maintain harmony with other communal groups.

In the past, DAP was serious only about how to get support from the Chinese community by raising communal issues and did not try to develop positive and constructive ideas.

Cambodia

Khieu Samphan 'Appeal' on Rural Administration

BK0610071894 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 5 Oct 94

["Personal appeal" issued to the peasants and people by Khieu Samphan, prime minister and minister of the National Army of the Provisional Government of National Union and National Salvation on 5 October; place not given—recorded]

[FBIS Translated Text] Respected and beloved peasants and people: You know very well, because you have suffered from it personally, that 99 percent of the current two-headed administration in Phnom Penh and 100 percent of it in the provinces, districts, communes, and villages remains the same, unchanged administration of communist Vietnam. This administration was set up by communist Vietnam in 1979 to serve as a tool for its aggression. When UNTAC [UN Transitional Authority in Cambodia] came to our country, it also used this communist Vietnamese administration. When the villainous Western alliance came along, it also colluded with communist Vietnam and has used this communist

Vietnam-installed administration to continue igniting its war of aggression and to continue wreaking havoc on our nation and people, causing the latter endless suffering, devastation, and separation for the past 15 years and more. During these past 15 years and more, it has been the civilian administrators of communist Vietnam, especially the cruel civilian administrators in the villages and communes, who have been henchmen and cat's-paws stationed permanently on the spot to serve communist Vietnam in cutting our peasants' throats and wringing their necks. It is these civilian administrators of communist Vietnam in the villages and communes who have been conscripting our people as soldiers and militiamen. It is they who have forcibly sent our people to conduct the K-5 corvee. It is they who have sent our people to the second, third, fourth, and fifth corvees and to all subsequent labors and mobilizations. It is they who have debauched and corrupted the sons, daughters, husbands, and wives of our people, turning them into informants, policemen, and administrators to spy on their own children and parents and arrest their own relatives in the villages and communes. It is they who have plundered the land, paddies, orchards, oxen, buffaloes, pigs, chicken, and ducks of our people. It is these civilian administrators of communist Vietnam in the villages and communes who have scouted for the invading forces of the communist Vietnamese and the two-headed puppets and summoned them to raid and torch the homes and destroy the farms, crops, paddies, and orchards of the people. It is they who have conducted all types of pacification, psychological war, and corrupting operations as well as all the robberies and thefts.

At present, in the face of the heroic and tenacious struggle of our nation and people both in the countryside and in Phnom Penh as well as abroad, especially in the face of the guerrilla and people's war waged by our peasantry in the countryside, the warmongers and fascists—namely, communist Vietnam, the villainous Western alliance, and the two-headed government—are finding themselves in the worst possible predicament. The two-headed government is agonizing in all sectors and fields. Their entire regime is collapsing. And so is their army; they do not have any troops; their soldiers exist mostly on imaginary lists. The central administration is degenerating and the rural administration in the villages and communes is being dispersed and in a state of collapse. Their economy and finances are at rock bottom. They can maintain a semblance of existence thanks only to the small coins dribbled to them by the villainous Western alliance.

However, communist Vietnam and the villainous Western alliance continue stubbornly to fan the flames of war. Recently, the U.S. Administration openly announced its decision to give military aid and military personnel and experts and to set up a command post to once again lead the efforts of continuing communist Vietnam's war of aggression and massacre against our nation and people. What do these warmongers rely on?

First, they rely on their money and armaments.

Second and more importantly, they think that they can still use the civilian administrators of communist Vietnam in the villages and communes as their arms, eyes, and ears to conduct all types of pacification, psychological war, and espionage operations; to lead the way for the two-headed oppressive troops to massacre our peasants in the villages; to conscript our peasants as soldiers and militiamen, and to rob our peasants of rice with which to feed and continue their war against our nation and people.

For these reasons, our nation and people must smash the criminal scheme of the warmongers at all costs. I therefore appeal to our fraternal peasants and our entire nation and people to continue strengthening your union to completely dissolve and remove all the administration of communist Vietnam from your villages and communes, particularly the civilian administration, both overt and covert, in all sectors and all fields. Only when you repeatedly attack and destroy it, entirely uprooting all the organized forces of the enemy in your villages and communes to prevent them from being used as springboards or support bases for continuing communist Vietnam's war of aggression and continuing the destruction against our people can you organize your own national administrations and live in peace.

Our slogan is: All our seven million peasants resolutely wage the people's war to smash communist Vietnam's administration, particularly the civilian administrators in all sectors and fields, both overt and covert, completely removing them from the villages and communes.

The enemy's civilian administrators in the villages and communes can be divided into three different categories as follows:

The first category, over 40 percent of the whole, is made up of victims who have been forcibly drafted by the enemy.

The second category, over 10 percent, is made up of reconcilers who have agreed to be enemy administrators to avoid being conscripted as soldiers and also to reap some benefit, if possible.

The third category, about only 2 to 3 percent in each village, is made up of cruel elements. Those in this category have their hands stained with our people's blood. It is they who are members of the communist party of the communist Vietnamese puppets, receiving orders from the party of communist Vietnam in the provinces, districts, and communes and giving orders to the administrators of the communist Vietnamese puppets in the villages and communes.

Our principle is to dissolve the enemy administration and save the individuals. Only our local people in the villages and communes, who themselves are the victims, can precisely and correctly categorize them and successfully and correctly implement our principle, showing leniency to those who agree to stop serving as enemy administrators through education and advice given by the people, but remaining firm and inflexible toward those in the category of recalcitrants and cruel henchmen. This is called implementing the principle of smashing and removing communist Vietnam's administration in the villages and communes, wiping it out in terms of organization, while saving the more than 80 percent who are individuals forcibly used by the enemy as the agents of their administration and turning them into free people as other ordinary citizens, staying in the families with a wife and children, and once again living an honest life. In this way, we will also be able to win over those in the 10 percent and above category.

The strategic meaning of this campaign to smash and remove all categories of the enemy civil administration is to cut off all the arms and legs of the enemy, plug all their eyes and ears, sever [illegible] their economic links with the countryside, block up all their large and small communications roads, and prevent them from conscripting the people as soldiers and militiamen. This is the liberation of the vast countryside, the liberation of millions of peasants from the iron-like, demonic claws of the enemy. It also constitutes a great encouragement for our brothers in Phnom Penh so that they will have support for waging an increasingly militant struggle against the two-headed government, communist Vietnam, and the villainous Western alliance.

Our nation and people have every right in the world to wage a struggle to defend themselves, and they are surely able to wage this struggle and defend themselves. The facts of history, both in the world at large and in Cambodia, clearly show that a people who are not afraid to fight while clearly distinguishing friend from foe can fight and defend themselves and be master of their own destiny and that of their own country.

Long live the people's war to smash and remove all categories of civil administration of communist Vietnam in the villages and communes!

5 October 1994

Khmer Rouge Vow To Deal With Vietnamese Issue

BK0610064494 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 5 Oct 94

[Unattributed commentary: "The Cambodian Nation and People Will Not Let the Villainous Group Get Away With Using Cambodia as a Site for Dumping Vietnamese To Solve the Problem of the Vietnamese Boat People"]

[FBIS Translated Text] At present there are no more reports about Vietnamese boat refugees fleeing to this or that place. People are wondering why. It is not because the Hanoi Vietnamese have resolved the economic problems facing their citizens. The fact is that the two-headed government and the alliance have colluded with communist Vietnam and allowed Vietnamese nationals to flow into Cambodia. These people immediately speak up in defense of the Vietnamese when someone says something affecting the Vietnamese in Cambodia. These villains reason that Vietnamese can come to Cambodia, even if Cambodia is annexed by Vietnam, as long as the Vietnamese do not flee to their countries. These villains think the same way as the villains of the Second World War: Germany could take Austria, Czechoslovakia, and Poland, as long as it did not annex their respective countries. This is in conformity with Vietnam's strategy of annexing Cambodia, which the communist Vietnamese have been attempting to do for a long time.

However, the entire Cambodian nation and people will not let the communist Vietnamese annex Cambodia like Kampuchea Kraom [former Cambodian territory now part of southern Vietnam]. Cambodians will not allow the Chey Chettha II [former Cambodian king who allowed Vietnamese to live on Cambodian territory] incident to occur again. The Cambodian nation and people will surely fight again and again to solve the problem of 4 million Vietnamese by getting them out of Cambodian territory. These Vietnamese should be rounded up and put in camps and then repatriated as other countries have done.

More recently, Hong Kong and Australia put Vietnamese in camps and immediately repatriated them. Crazy human rights activists have no right to shout about this. The issue of the Vietnamese in Cambodia is that of an aggressor force committing aggression against Cambodia and occupying it, and not one of ordinary Vietnamese boat refugees. Cambodians are well aware of the human rights strategy to keep Vietnamese in Cambodia to allow the Vietnamese to annex the country. Cambodians will not be stupid and ignorant; they will not believe your wagging tongue.

KR Seek To Dismantle 'Puppet Administration'

BK0610065894 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 5 Oct 94

[Editorial: "The Dismantling of the Communist Vietnamese Puppets' Administrative Networks, Especially All Categories of Civilian Administrations in the Villages and Communes, Is the Most Important Part of Our Guerrilla and People's Warfare"]

[FBIS Translated Text] The National Army of Democratic Kampuchea [NADK] and our people have been implementing our guerrilla and people's warfare even more actively and effectively.

The dispersing and dismantling of the communist Vietnamese puppets' administrative networks in all sectors and all fields, especially all categories of their civilian administrations in villages and communes, are the most important goals of our NADK and people. This is because:

1. The puppet administration in the villages and communes is the source of all sorts of covert, psychological warfare and pacification operations against our nation and people.

2. The village and commune administrators are puppet henchmen installed to massacre, oppress, and bully our people.

3. The village and commune administrators serve as springboards for communist Vietnam and its puppets to plunder our people's economy—rice and all other farm products—for use in carrying out their war of aggression against and massacre of our nation and people.

4. The village and commune administrators serve as their eyes, ears, and arms in conscripting our sons and husbands as soldiers and militiamen to fight and die in their place and in forcibly mobilizing our people for their K-5 corvees in the service of their war of aggression.

Therefore, the attack against the village and commune administrators is very important. It is tantamount to totally dismembering the enemies. Once all their civilian administrations in the villages and communes are wiped out, there will be no more covert spying or pacification operations; there will be no recruitment of soldiers and militiamen; and no forced labor nor looting. Our people will then be able to enjoy the right to live peacefully and to have every opportunity for work and a normal, happy life.

Realizing the importance of this, our people everywhere have more actively joined hands with the NADK in attacking and removing the village and commune administrations. After dismantling the communist Vietnamese puppets' administrations in the villages and communes, our people will establish national administrations to replace them, set punji stakes and booby traps around villages, and then lay mines, fell trees and demolish all communication lines to block the Vietnamese puppets from launching operations to capture our liberated zones.

Khmer Rouge Report Attack on Kompong Luong Market

BK0510154594 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 5 Oct 94

["Special Report from north Phnom Penh battlefield"]

[FBIS Translated Text] Here is a report on the National Army of Democratic Kampuchea [NADK], in cooperation with the people, smashing completely the two-headed government's position at the Kompong Luong market in Muk Kampul District of Kandal Province.

On 2 October, our national army joined forces with the people to smash the Kompong Luong market position in Kandal Province totally. As a result:

1. Destruction: Our NADK and people killed eight invading troops, wounded 13 others, and captured an enemy soldier. We also killed seven Vietnamese and wounded five others, including a Vietnamese lieutenant colonel, and destroyed 25 assorted guns.

2. Seizure: We seized 18 assorted guns, including an 82-mm mortar, a 12.7-mm heavy machine gun, a B-40 rocket launcher, two RPK machine guns, three AK and nine AR-15 assault rifles, and a pistol. We also seized a (?Convit) field radio, 12 [word indistinct] shells, 500 RPK and 170 12.7-mm rounds, and 25 rucksacks.

Indonesia

Yogyakarta Prosecutor Bans Al-Arqam Activities

BK0510144994 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 5 Oct 94

[FBIS Translated Text] Activities based on the teachings of the Al-Arqam movement found in a book titled Aurad Muhammadiyah—Al-Arqam Principles, written by Uztaz [religious teacher] Haji Ashaari Mohammad, have been banned in Yokyakarta district as of 3 October. The ban is stated in the Yogyakarta District Chief Prosecutor's Office decision letter No. 064/1994, dated 3 October.

Responding to a RRI [Radio Republic of Indonesia] correspondent, Makmur Hadi S.H. [master of law], chief of the Yogyakarta Prosecutor's Office, said the ban on the Al-Arqam movement is due to the existence of a small group of people carrying out some activities aimed at spreading the movement's teachings in the district. We fear that the activities could create disorder among the Muslims.

Makmur Hadi said that the Al-Arqam movement, as an organization, has not been formed in Yogyakarta.

* Minister Comments on Industrial Protection

94SE0234C Jakarta KOMPAS in Indonesian 13 Aug 94 pp 1, 13

[FBIS Translated Text] Saleh Afiff, coordinating Minister for the economy and finance and development oversight, emphasized that the government cannot protect new industries, especially upstream industries, at random. Random protection will only result in expensive products from upstream industries, and this will eventually place a burden on domestic consumers.

Saleh Afiff made this statement yesterday in response to reporters' questions after he had been received by President Suharto at the presidential residence on Cendana Street. The questions were asked as a follow up to the government's promise to protect the products of the Chandra Asri Petrochemical Center, Inc.

"Everything should be examined first to see whether it is in our interest; not all domestic products should be protected against imported goods," said Saleh Afiff.

A day earlier, when he observed the factory in Cilegon, West Java, Minister of Investment Sanyoto Sastrowardoyo confirmed that the government will protect the factory's products. Similar steps, he said, have been taken by various other nations, such as 40 percent by Japan and 30 to 35 percent by Thailand and Malaysia. "Protection will be granted after the completion of construction so that they are not hurt by foreign goods," said Sanyoto (KOMPAS 12 August).

Sanyoto added that the government is now calculating the amount of protection because protection through the imposition of import duties is absolutely necessary. He added that upstream petrochemical industry products, such as olefin, require protection at the start of production. This product is not yet able to compete with similar industries whose factories have been producing this product for a long time in various countries.

Candra Asri, said the minister of investment, for example bears the burden of depreciation costs, but similar factories abroad, which have been in existence for 15 years, no longer have allocations for depreciation costs. However, protection for Candra Asri products will not be given forever. Protection will be revoked if the government believes that it is ready to compete.

Saleh Afiff said that this is especially true for a product like olefin, an upstream industrial product which if protected will raise the price of downstream products using olefin as a raw material. "And this will be a burden on the consumer, the domestic buyer," said the coordinating minister.

When asked what would be done about dumping which competed with domestic industry, the coordinating minister explained that there already was a committee under the minister of finance working to handle that problem. This petrochemical factory, scheduled to begin production in the middle of 1995 with a capacity of 675,000 tons of ethylene a year, is said to be the largest in Southeast Asia.

The Arguments Must be Clear

When contacted by TEMPO, economic observer Christianto Wibisono expressed the opinion that in fact upstream, petrochemical, and iron and steel industries need protection at the start-up stage. However, in his opinion, the length of such protection, at what level of duties, and how they compare with the duties imposed by other countries must be made clear. This is to make sure that the industry will really be able to compete in the future.

"Protection exists in every country and this is not only true for Chandra Asri while that industry is still considered an 'infant'," he said. He thinks that in addition to providing arguments and figures proving that Chandra Asri is still an infant and needs protection, the government must also set the time limit for that protection.

"It must be clear when that protection will end and when the duties will be reduced because after GATT goes into effect, if we impose high duties our business partners can take revenge on us," he said.

A time limit, he thinks, is needed because the ability to compete will depend on the efficiency of the industry concerned. He gave as an example Thailand, which can compete in petrochemical products even though it does not have oil and gas resources.

Damaging to Downstream Industries

On the other hand, Rizal Ramli, managing director of Econit, who was contacted separately, said that he was amazed at the decision to protect. "When it was being built, an agreement was made that it wouldn't be protected! Now that the factory is starting up they say it's going to be protected? If it's really efficient, the factory doesn't need protection," he said.

Sanyoto's statement confirming protection of Chandra Asri, he thinks, justifies the criticism leveled by observers before the mega project began construction.

The Chandra Asri Inc. olefin project located in Cilegon, West Java, was a subject of controversy when it began construction and it has been on the list of projects rescheduled by the government because it was considered that it could endanger the long-term balance of payments. This industry was allowed to continue on the basis of the SK [Decree] of the PLKN (Foreign Loan Coordinating) Committee dated 9 April 1992 after it had changed over to 100 percent PMA [Foreign Capital Investment].

With the change of status from PMDN [Domestic Capital Investment] to PMA, the amount of investment was reduced from the original $2.25 billion or about 4.4 trillion rupiahs to $1.6 billion. This is also true for projected production capacity, which was reduced from 1.9 million tons of ethylene and propylene with a consumption of 1.8 million tons of naphtha (the raw material for olefin) per year to 1.2 million tons of ethylene and propylene per year. However, according to its chief executive officer, Prajogo Pangestu, the amount of investment will rise again when construction of the factory is completed in line with increases in domestic demand for olefin.

In the end, Rizal said, granting protection to Chandra Asri will damage downstream industries which use these domestic petrochemical products, such as the plastics and polyester industries. "If the only reason given is that other nations also impose the same protection, it's hard to believe. Aside from that, it also goes against the spirit of the GATT agreement, which Indonesia has signed, because while people are talking about free trade, we're busy providing protection," he said.

Rizal's question is whether the Minister of Investment and Chairman of the BKPM Sanyoto Sastrowardoyo understands the spirit of the GATT agreement. If the answer is yes, then why aren't the duties or the protection reduced in the direction of harmonizing the duties selected?

Supposing the answer is no and the grounds given are that it is still an infant industry, then we are opening up a new hole in front of us because we must realize that it is possible that these protection policies will be used as a tool to pressure Indonesia at every bilateral negotiation or in granting aid.

"This is the spirit that we must capture so that we can follow the etiquette of world trade and so that we can enter into world markets because we really understand the issue of harmonizing duties which we agreed to in Marrakech. I'm afraid that if that spirit turns out not be to monitored closely, protection will come to be considered something normal," said Rizal.

Aberson Marile Sihaloho, member of the Indonesian DPR [Parliament] from the Indonesian Democracy Party Faction, stated that frankly he disagrees with the protection granted to Chandra Asri because it will harm consumers. "I'm afraid that protection will prevent our industrial productivity from growing and that our export products will encounter retaliation. Other countries will impose countervailing duties (additional import duties)," he said.

He emphasized that there could be trouble if Chandra Asri is protected by 30 to 40 percent. After it is protected, related businesses will also ask that their industries be put on the list of negative investments. Granting protection to Chandra Asri means that the company's products will only be viable if protection is between 30 and 40 percent. "Protection of 0 to 15 percent can be tolerated, more than that means that GATT's goals have not been achieved," Aberson stated firmly.

Aberson warned that our goods will not be competitive if protection is granted to Chandra Asri. This is the kind of thing that GATT wished to prevent. The core of the GATT agreement is the globalization of trade putting emphasis on efficiency and productivity.

Laos

Foreign Minister's Activities in New York Noted

BK0610070194 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 6 Oct 94

[FBIS Translated Text] On the afternoon of 4 October, Somsavat Lengsavat, our Lao foreign affairs minister, delivered a speech at the 49th UN General Assembly session in New York. Earlier, on 3 October, Minister Somsavat Lengsavat paid a courtesy call on UN Secretary General Butrus Butrus-Ghali. On this occasion, our foreign affairs minister informed the UN secretary general of the general situation in Laos and achievements of the government in implementing its foreign policy. Minister Somsavat also praised the UN secretary general's active roles for the cause of peace and development, and highly appraised his report on the development program. Foreign Affairs Minister Somsavat Lengsavat also invited the UN secretary general to visit Laos at an appropriate time.

In return, the UN secretary general praised and hailed the achievements of the Lao People's Democratic Republic [LPDR] Government in pursuing its domestic and foreign policies. They have resulted in strengthening its good relations with neighboring countries, and have contributed to promoting and establishing peace, stability, and cooperation in the region. The UN secretary general also expressed his ardent hope that the LPDR Government will send a top-level delegation to attend the summit meeting on social development to be held in Copenhagen and the UN General Assembly session to mark the 50th UN anniversary in New York in 1995.

In addition, Foreign Affairs Minister Somsavat Lengsavat met with his counterparts from many countries, including Vietnam, Myanmar [Burma], Cambodia, the DPRK, the Republic of Korea, and ASEAN member countries. He attended a working breakfast organized by U.S. Secretary of State Warren Christopher in honor of foreign affairs ministers from Asia-Pacific countries. He also attended other significant banquets.

During his activities, our foreign affairs minister informed his counterparts from each country about the Lao Government's implementation of the economic restructuring policy overall and its consistent foreign policy. His activities have thus contributed to strengthening good relations between the LPDR and the aforesaid various countries.

Minutes of Meeting Signed With PRC Justice Group

BK0510125894 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 4 Oct 94

[FBIS Translated Text] Somlit Chanthachak and Xiao Gianzhang, respectively deputy ministers of justice of the Lao People's Democratic Republic [LPDR] and the PRC, signed the minutes on the consultative meeting between the two sides this morning. The minutes spell out the continued exchange of legal documents, judicial work, and judicial personnel of the Justice Ministries of the two countries to study judiciary lessons from each other. The minute was based on the memorandum signed between the justice ministers of the two countries in Beijing on 15 May 1994.

Attending the signing ceremony was Kham-ouan Boupha, minister of justice of the LPDR; Li Jiazhong, PRC ambassador to Laos; and several high-ranking officials of the two sides. At noon on the same day, the delegation of the PRC Ministry of Justice headed by Xiao Gianzhang left for the Kingdom of Thailand for a visit. The delegation was seen off at Wattai Airport by Somlit Chanthachak and Li Jianzhong.

Joint Venture With Chinese Army Established

BK0510125594 Vientiane KPL in English 0916 GMT 5 Oct 94

[FBIS Transcribed Text] Vientiane, October 5 (KPL)—The Xinh Ya Lao-Chinese Co. Ltd. was officially opened on October 1 at Dong Paina street, in the captital, Vientiane. The company is a joint venture between the former Pharmaceutical Factory No. 104 under the Ministry of National Defense of the Lao People's Democratic Republic and the Xinh Ya Group Company under the People's Army of China.

The Chinese side holds 52 percent of the investment totalling US $84,000.

The factory is designed to supply its products to the Lao People's Army. So far, six out of the 22 pharmaceutical products licensed for production have been turned out.

According to Mr. Khamfeuan, vice-director of the company, during the first stage, the factory turns out only pills whereas in the second stage, the factory plans to turn out serum and and [word indistinct]. The factory also expects the production for export.

Finance Minister Presents Budget Report

BK0610043194 Vientiane VIENTIANE TIMES in English 23-29 Sep 94 pp 7, 11

[FBIS Transcribed Text] Finance Minister Khamsai Souphanouvong on September 26 presented to the 5th ordinary session of the National Assembly a report on the state of finance in 1994 and the implementation of the 1993-94 budget plan.

Focussing on the implementation of revenue and expenditure and budget balance in 1993-94, the report showed that the rate of economic growth in 1994 is 7.6 per cent which is the target set for 1994-95.

The inflation rate was maintained at 7 to 8 per cent, which was within the rate of 10 per cent as defined by the government. The price index on the market in Vientiane in August increased just 4.6 per cent compared with the same month of last year, the lowest rate of increase ever recorded in the Lao PDR [Lao People's Democratic Republic].

This year's export and foreign investment grew more than last year's while revenue in foreign currencies in the banks also increased keeping a stable rate of exchange, 720 kip for one U.S. dollar, the rate that has been maintained since 1990.

The projected budget revenue in the whole year was 142 billion kip. Based on the figure achieved in the past ten months of the budget, it was estimated that the revenue will reach 141.97 billion or 100 per cent of the annual plan. Compared with 1993-94's, this year's revenue increased by 14 per cent amounting to 17.5 billion kip. Revenue from taxes and other fees constitutes an important part of the national revenue covering 59.8 per cent of the gross revenue. The set figure for the whole year was 83 billion kip but it actually reached 84.89 billion kip, that is 2.3 per cent over the plan, or 38.7 per cent over last year's. The achievement was possible thanks to the country's economic growth with increasing income among the people. However, it was noted that profit tax among enterprises and land tax were below the plan, 13 per cent and 50 per cent respectively. This was partly due to the unimproved mechanism of tax collection and ineffective inspections by customs and excise authorities over business operations. Non-tax revenue covered 22.4 per cent of the gross revenue. The projected figure for the whole year was 31.8 billion kip, of which 36 billion was achieved. This surplus came from interest rates of loans from the budget, granted to state enterprises, and fines on different businesses and shops that did not abide by financial and tax regulations. However, the collection of rent of state premises and assets was 15 per cent under the set figure and business concession was 32 per cent under the set target, both due to inadequate attention to control over foreign investment and hired state assets. The rent for state businesses, assets and premises are comparatively low.

Revenue from timber reached 21 billion kip, 14.7 per cent of the gross revenue. Timber exploitation for 1994 focussed on timber under the bed of Nam Ngum Lake and over areas of Nam Theun Hydro-power Project and a highly valuable species of timber locally known as "Long Leng", while timber exploitation in other provinces was only for local needs. It was noted that timber exploitation was carried out with due regard to environment protection. Despite the effort, there still existed instances of logging without permission in some areas but the situation was found reduced.

Foreign investment was actively implemented. However, for more effective foreign investment in the country it was necessary to restrict different negative instances, some of which were already found out with 42 companies by the Ministry of Finance in cooperation with the Committee for Planning and Cooperation. About 69 per cent of the companies did not implement the signed contracts. The result is that the actually put capital accounts for only 24.27 per cent of the licensed investment value. In addition, the rate of small investment—less than 50,000 U.S. dollars—was still high. Only 24 per cent of companies held the correct accounting system and only 42 per cent of companies performed regular tax payment to the state. Labour force employed by the companies was 93 per cent Lao.

This year, the government defined two principal policies on spending: supporting and promoting domestic production and raising salaries through re-classification of ranks and scales of salaries for state employees. The set figure was 252.27 billion kip with expected actual spending of 273.14 billion kip, 8.3 per cent over the set figure.

National Assembly Hears Draft Warranty Law

BK0510144594 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 5 Oct 94

[FBIS Translated Excerpt] Today the fifth plenary session of the Third National Assembly entered its ninth day since beginning on 26 September. During today's session, the assembly heard a report on the draft law on warranty presented by Khambou Sounisai, deputy chairman of the National Assembly and chairman of its Legal Affairs Commission. [passage omitted]

Philippines

Foreign Secretary on Clinton's Asia Policy

BK0510130394 Quezon City MALAYA in English 1 Oct 94 p 2

[Report by Maritess Sison Paez]

[FBIS Transcribed Text] New York—The Bush Administration was more consistent with its foreign policy towards Asia than the Clinton Administration is now, Foreign Secretary Roberto Romulo said Thursday.

Romulo hesitated for a few seconds, then blurted out, "Yes," when asked during a forum by the New York Overseas Press Club whether he felt that U.S. foreign policy towards Asia was less consistent today than it was five years ago. Romulo said the United States needs to have a "focus" in its foreign policy towards Asia, particularly East Asia where its trade and investments are thriving.

"There seems to be peaks and valleys, when what I want to see are the plateaus," he said.

Romulo reiterated his remarks before the Asia Society last Wednesday that the United States remains "uncertain" about what role to play in Asia.

"It seems a paradox of sorts, that at a time when America's economic stake in the region is rising, its political influence is in danger of slipping," Romulo said. "In East Asia at this stage in history, the exercise of American leadership would, in my view, entail certain courses of action."

First, he said, "the United States would have to articulate, in quite forceful and detailed terms, the depth and breadth of its interest in the peace, stability, and prosperity of East Asia." Specifically, he said the United States would have to make clear its opposition to destabilizing military action by any power in the region.

U.S. Trade Policies Seen as Protectionist

BK0610031994 Quezon City MALAYA in English 1 Oct 94 p 5

[Article by Herman Tiu Laurel: "U.S. Is Leading Protectionist"]

[FBIS Transcribed Text] The debate in the United States on GATT has led to fears that the agreement may not be ratified before the 1 January 1995 deadline. In a transcript of a briefing by the U.S. Deputy Secretary of Treasury for International Affairs Lawrence Summers, was asked "The United States was a leading force in the Uruguay Round. Now they have some difficulty in Congress with ratifying. And also could we imagine the, let's say, hypothetical situation that the Congress does not ratify the Uruguay Round?"

Bureaucrats of the U.S. Trade officialdom are ranged against politicians of the U.S. Congress, the latter worrying where to get the tax shortfall that reduced tariffs will cause and protecting jobs in several manufacturing sectors where stiff competition is expected to create dislocations.

Summers' reply to the question was deft as can be anticipated from a polished bureaucrat: "I expect that the Uruguay Round will pass. I hope and expect that the G-7 countries will collectively commit themselves to the ratification of the Uruguay Round this year." His hope and expectation is backed up by U.S. President Bill Clinton, who will probably horsetrade again to smooth over congressional concerns.

While Summers continues to hope and expect the approval of the GATT by the G-7 countries, two members of the G-7 are slugging it out over trade issues. The other leading force in the G-7, Japan, is wrestling with the United States over opening Japan's market to quota exports from the United States. Newsweek reports: "Earlier this year the talks broke down over demands—pressed by America's combative chief negotiator Mickey Kantor—for a sweeping deal that would allot American goods a greater share of Japanese markets."

Protectionist America

Filipino GATT apologists have taken to singing praises to "free trade," lambasting local industries for being soft and abusing tariff protection, and demanding the dismantling of tariff barriers posthaste.

While America is demanding quota allocations for its goods to enter Japan, let's listen to an American talk about quota limits on Japanese goods entering the American market. These import quota limitations are called "trade relief" to industries.

Alan Tonelso, research director of the Economic Strategy Institute, has this to say: "Relief from predatory foreign trade practices has played a major role in revitalizing key American industries in recent years " Tonelso says in his article reprinted by the USIS: "The U.S. automobile, steel, machine tools, semiconductor, and textile and apparel industries all received significant import relief throughout the 1980's and 1990's."

He explains that all the industries that received this relief gained "improvement in productivity, investment, tooling, competitiveness after quota limits to imports were worked out with Japan on cars, Japan and Korea on steel, on semiconductors with Japan, and textile and apparel with China." Quota limits is the most negative form of trade protection.

"Import relief measures helped convince industries that they were not stuck with trying to buck impossible odds, competing in a world in which free trade principles are too often honored in the breach...Second, economists overlook one of their most venerable concepts, the infant industry phenomenon. Since Adam Smith's day even the most ardent laissez faire champions have recognized that import relief can be essential to helping new companies break into the markets of long-established industries, establish market share abroad and get a leg up on competitors. Both 19th century American and post WW-II Japan nurtured infant industries..."

Tonelson called the laissez faire policy "a theory full of holes." I've admired free trade, but know when it's disadvantageous in a situation like ours. Free trade advocates should not be surprised or disgusted if they're booed down once in a while when advocating "free trade" for our infant economy. Dick Gordon should not wonder if his duty free shops are despised by some citizens; they recall that Gordon's own ancestors at the Boston Tea Party dumped imported British tea into the sea in protest against British imports.

If giant American industries seek "relief" are given relief by their government, what's wrong with our farmers, retailers, durable goods manufacturers, seeking and getting trade relief from our government?

Super 301

In another USIS report on U.S. economics, Jon Schaffer wrote of "U.S. Information Cornerstone of U.S. Unfair Trade Policy." Section 301 is a provision in the U.S. trade act that is used to challenge foreign government practices that "either burden or restrict U.S. commerce." Any American industry or individual can petition the U.S. trade representative to investigate a foreign country, and then suspend agreements, impose tariffs and other restrictions, institute retaliatory measures.

Section 301 is better known by its more ominous, intimidating alias, the "Super 301." It sounds more like a war, or Saddam Husayn's kilometer-long "super cannon" that vowed to rain hell on enemies than a trade law, but is no less threatening. Super 301 is the provision of that trade law that requires the U.S. president "to identify 'priority countries' and 'priority' foreign trade practices (those whose elimination would likely have the most significant potential to increase U.S. exports) for investigation." On the basis of such investigation, the selected priority countries are threatened with trade retribution.

For a country that makes use of "relief from predatory trade," it is certainly most intolerant of other countries' "trade relief" for its industries.

Lesson for Filipinos

The lesson of our piece today is this: if the "leading force" in the Uruguay Round is putting the proposed GATT through the wringer, why should we hurry to ratify it? If the largest economy in the world continues to use a trade weapon like the Super 301 to protect its industries, why should our infant economy and its equally infant industries not be afforded protection by their own government?

Filipino laissez faire fanatics are ready to tear down all the gates to our economy and prostrate our industries and market. This is Super 000, or Super Kabobohan [Stupidity].

Columnist Says U.S. 'Botched' Haiti Mission

BK0510130794 Manila BUSINESS WORLD in English 3 Oct 94 p 4

[From the "My Cup of Tea" column by Ninez Cacho-Olivares: "It is difficult"]

[FBIS Transcribed Text] The trouble with the United States of America is that it thinks Third World democracy problems can easily be solved with American military threats and force.

Thus, it threatened Haiti's military leaders with an invasion if they do not step down and allow Bill Clinton's bet, deposed President Jean-Bertrand Aristide, to sit on the Haitian saddle, perhaps thinking threats and force are all that is needed to restore democracy in Haiti.

These are far from being the solution, however. When Haiti's military leaders finally do the American bidding, the U.S. Government shows reluctance in finishing the job it started. It expects the ousted Haitian leaders and their military to end the anarchy the United States created with the entry of its troops. For Raul Cedras and company to restore peace and order in the island. [sentence as published]

Obviously, the Clinton Government also expects Aristide to simply order Haitian police and military to restore peace and order and uphold democracy, once he returns.

It is, of course, never as easy as that. For one, it is more than obvious that Jean Aristide never held control over the military, nor did he ever have its support. If he did, when he first sat on the presidential seat, he would not have been so easily ousted.

While Mr. Aristide may have the support of the Haitian people, even that support was apparently not enough because the Haitians who claimed to love democracy didn't have the guts to fight the military and die for democracy and Aristide when they were in peril.

Now, of course, with the American troops all over Haiti, these so-called pro-democracy and pro-Aristide forces are out in the open, willing to shout down the deposed military leaders.

Quite naturally, too, they scampered once they were fired at and fled even more readily when they realized the American troops weren't going to take on the role of protectors of the Haitian people.

Quite unlike the Filipinos and the Eastern Europeans, who were willing to slug it out with the military to force their unpopular leaders and their armed troops out of power—and all without the help of a foreign military superpower.

What makes America think democracy in Haiti will be alive and flourishing under the Aristide rule?

If he was ousted once through military force, he can be ousted again, by the same military force. It will still be the same military force that supported Cedras and company and that ousted Aristide which will have to do the bidding of Aristide.

Or do both Aristide and the United States think an entirely new military and police force will be created under the Aristide regime?

True, the Haitian armed forces may obey the Aristide Government while the American troops are around. But the United States, even if it decides to directly involve itself in police and military duties, will certainly not be there forever. And when they are no longer there, just how long can Aristide maintain control over the Haitian police and military?

How long before another military coup, led by another Raul Cedras, will be staged to oust Aristide and his parliament?

As the latest bloody battle shows, Haitian police obviously either don't want to restore peace and order or they simply can't, even with the U.S. troops all over the place.

The U.S. troops no doubt can do the job, just by shooting down any old or young thing moving within their shooting range. But is that what the American people really want? Do they want their soldier sons' lives and their tax money spent in Haiti, just to see good old American boy Aristide back in power?

Even granting that they do, just how long do they want American troops to stay on and just how much more of their tax money do they want to pour into Haiti for the noble cause of democracy?

And will the U.S. Government, if Aristide is again ousted through another military coup, go through the same military exercise all over again and re-install Aristide or his successor in the holy name of democracy?

As things stand today, Mr. Clinton and his administrators have already botched the job that incidentally, majority of the Americans did not support.

Worse, while Haiti remains in chaos, the Clinton Government and the U.S. military are still reviewing options for keeping order in Haiti.

Invading is easy. Even ordering the restoration is easy. Maintaining peace and order—as well as maintaining democracy—is difficult.

It is only the people of that country who can do it, when they put their mind and soul to it.

Senator Confirms Arms Supplied to Abu Sayyaf

BK0610040094 Manila MANILA STANDARD in English 1 Oct 94 p 2

[FBIS Transcribed Text] Senator Rodolfo Biazon yesterday said that the high-powered firearms and ammunitions seized from six suspected members of the terrorist group Abu Sayyaf confirmed reports that certain scalawags in the military were the source of these weapons.

Biazon, former Armed Forces Chief of Staff, was specifically alluding to the arrest of the suspected Abu Sayyaf members in a raid at two houses in a Muslim community in Tandang Sora, Quezon City.

Biazon yesterday pressed his colleagues in Congress to immediately pass into law the proposed bill which seeks to impose death penalty for police and military men selling government-issued firearms and ammunitions.

"The acts of these government men who are paid, trusted and depended on by our people is the highest form of treason," Biazon stressed. Biazon specifically cited his Senate Bill 1219 which he filed on 5 May 1993 but has yet to be considered by both chambers of Congress.

Biazon noted the findings of the PNP [Philippine National Police] that the firearms and ammunitions confiscated from the six suspected Abu Sayyaf members were all military-issued weapons.

"The types of weapons and ammunitions, especially the shells for 57 MM recoille rifles and M-79 grenade launchers can only come from the Armed Forces," Biazon asserted.

"Tracing the possible culprits in the organization may not be that difficult, for the serial numbers of the weapons and the lot numbers of the ammunition can come up with the information as to who had custody, authority to issue and to whom these items had been issued," Biazon pointed out.

Biazon recalled that he had initiated in June this year an investigation, in aid of legislation, on the reported access of the notorious kidnap-for-ransom Abu Sayyaf gang to some high-powered weaponry from the AFP [Armed Forces of the Philippines] Logcom [Logistics Command] which were discovered in their hideouts after the military offensive in Basilan.

Acting on the Biazon initiative, the Senate committee on national defense and security chaired by Sen. Orlando Mercado conducted a hearing in which AFP chief of staff Gen. Arturo Enrile explained that the weapons taken from the Basilan hideout of the Abu Sayyaf were found to have come from those pilfered from the AFP Logcom during the previous coup d' etats.

Military authorities, said some active soldiers and policemen, with the connivance of civilians, steal firearms from AFP arsenals and sell them to criminal groups, including the Abu Sayyaf Muslim fundamentalist group.

The military made the announcement after the PNP Intelligence Command arrested the six suspected Abu Sayyaf members and seized a cache of firearms and ammunition from two houses in Tandang Sora, Quezon City last Thursday.

Lt. Gen. Alfredo Filler AFP Vice chief of staff, said that initial investigation conducted by military counterintelligence units uncovered the stealing of arms from military armories.

In the Tandang Sora raid, police intelligence agents recovered seven Armalite rifles, two handguns, 47 life anti-tank shells, seven grenade launcher shells and other military paraphernalia.

The arms cache composed of military-issued war materials with AFP markings, were already packed in several huge cigarette boxes and apparently ready for shipment to Mindanao.

First-Half Balance of Payments Increases 54%

BK0510130194 Manila BUSINESS WORLD in English 3 Oct 94 p 2

[FBIS Transcribed Text] The country's balance of payment (BoP) position during the first semester registered a 53.76 percent increase to $675 million from the year-ago level of $439 million, according to the latest Bangko Sentral [Central Bank] figures.

Foreign investment inflows accounted for most of the surplus, posting an 81.89 percent surge to $2,592 million from $1,425 million last year.

Investment outflows, on the other hand, posted a 53.04 percent increase from June 1993's level of $1,182 million to $1,809 million, mostly foreign capital withdrawn.

Merchandise trade deficit totalled $4,065 million as import payments outpaced exports with a 25.87 percent uptick to $10,139 million. On the export payments side, a 17.17 percent increase to $6,074 million from $5,184 million was posted.

The country's current account showed a $1,621 million deficit, representing a 37.72 percent decline from the $1,177 million a year ago. Receipts from invisibles—freight and merchandise insurance, travel and investment income—grew to $581 million while corresponding payments stood at only $57 million.

Non-merchandise trade registered a 45.45 percent jump to $1,920 million from $1,320 million. This was comprised of receipts of $4,719 million less payments of $2,799 million.

Transfers inflow was fuelled by a 32.20 percent increase in overseas contract workers remittances which jumped from $177 million to $234 million.

Meanwhile, an 18.38 percent decline in medium and long-term loans inflow was likewise noted. Net inflow dropped from $1,425 million to $1,856 million while net outflow shrank to $1,182 million from $1,354 million.

The Bangko Sentral data showed unrecorded outflows under "errors and omissions account" going up 46.84 percent to $812 million.

Net short-term capital, on the other hand, registered a 68.09 percent decline from $517 million to $165 million. This included foreign borrowings with maturities of less than one year.

Other BoP accounts:

—Monetization of gold increased to $77 million or a considerable 75 percent hike from the previous year's $44 million; and,

—Revaluation adjustments had a 98.48 percent decline from the year-ago level of $66 million to $1 million.

Thailand

Officials To Oppose APEC Free Trade Proposals

BK0610042794 Bangkok THE NATION in English 6 Oct 94 p B1

[FBIS Transcribed Text] Thailand is to oppose a double taxation and most-favoured-nation proposal for member countries of the Asia-Pacific Economic Cooperation (Apec), arguing that a level of playing field has not yet been created to warrant full-scale trade liberalization, Thai officials said. They said China is the only country of the 17-member regional grouping, which agrees with Thailand that the time is not ripe for the Apec members to extend double taxation to each other.

The United States, Canada and Australia have introduced double taxation during a recent meeting of the Apec senior officials in Yogyakarta, Indonesia.

In principle, a double taxation treaty allows a company to pay tax only in one country when it invests in another country.

Thai officials said if adopted, the double taxation will put Thailand at a disadvantageous position against the other Apec members because investment of Thai companies in the overseas is not as significant as their Apec counterparts.

"This is an important issue. We don't understand why there are no other countries helping Thailand and China voice objection to the proposal," said one official. However, it is agreed that each Apec member will draw up its position on the double-tax proposal as non-binding before further presenting it to the meeting of the Apec ministerial meeting in Jakarta next month.

Apec groups the United States, Canada, Mexico, Japan, Australia, New Zealand, China, Taiwan, South Korea, Hong Kong, the six-member Association of Southeast Asia, Papua New Guinea. Chile will become the 18th member at this year's Apec meeting.

Another important issue on the agenda is the investment code, which, according to the US proposal, should be treated under the most-favoured-nation principle. This means that the Apec members should not only provide tariff privileges among themselves, but should also extend it to non-Apec members.

Officials said Thailand is not ready to adopt the most-favoured-nation status for the Apec's investment code because it will amount to an override of the General Agreement on Tariffs and Trade.

The Apec's ministerial meeting will consider whether it will adopt a recommendation of the ASEAN economic ministers to dissolve the Eminent Persons Group now that the EPG has concluded its task in producing a report envisioning free trade in the Asia-Pacific by 2020. The EPG suggests that the Apec members consider steps to create a free trade area in a three-tier system, with the developed countries beginning in the year 2000 taking a move to bring down their tariff barriers by 2005, the newly industrialized economies doing the same by 2010 and the developing economies, including Thailand, by 2020.

Official Says Drug Suspect Cannot Be Extradited

BK0610042594 Bangkok THE NATION in English 6 Oct 94 p A4

[FBIS Transcribed Text] The Judicial Affairs Office secretary general said yesterday that the Thai Government cannot extradite an army general accused of narcotics trafficking to the United States because of the unclear definition of Thailand's extradition law.

Charan Phakdithanakun said the existing law does not allow the government to send a Thai suspect to a foreign country where he faces charges. The extradition requested by the US will take place only when the law is amended.

Maj. Gen. Thanat Phaktiphat, a general attached to Supreme Command, was arrested in Hong Kong last December on charges of drug trafficking and conspiracy to import heroin to the US.

Charan said that according to the treaty between Thailand and the US, Thailand can send a suspect to the US as long as the extradition does not violate its own law. As a result, the army general cannot be extradited to the US as demanded.

Canadian Firm Offers Help in Nuclear Power

BK0610053794 Bangkok Radio Thailand Network in English 0000 GMT 6 Oct 94

[FBIS Transcribed Text] Atomic Energy of Canada Company has proposed to help clarify to the Thai people the application of nuclear power for electricity generation in Thailand.

Deputy Prime Minister Suphachai Phanitchaphak said representatives from the company met Prime Minister Chuan Likphai and his party on Tuesday in Toronto to brief him on atomic energy for peace. The company is now working with Thailand's Office of Atomic Energy for Peace, the Federation of Thai Industries, and Chulalongkon University.

Mr Suphachai said the Thai delegation told the company's representatives that Thailand is conducting a study on the issue. The country needs to produce experts in nuclear power first before making a decision on nuclear power electricity generation. He says as he knows nuclear power is the most efficient and causes effective energy but the dumping site for nuclear waste still poses a problem.

Meanwhile, chairman of the Federation of Thai Industries Chokchai Aksoranan, who is accompanying the Thai delegation says he believes that nuclear power for electricity generation will be introduced in Thailand in the future taking into account the growing demand for energy in the country. He says many countries including Canada have so far turned to atomic energy. In Toronto alone, about 60 percent of electricity is now generated by nuclear power plants.

Probe of NSC Involvement in Cambodian Coup

BK0610122294 Bangkok SIAM RAT in Thai 6 Oct 94 p 3

[FBIS Translated Text] General Chatchai Chunhawan, leader of the Chat Phatthana Party, said Thailand's image has been damaged by a report on the National Security Council's involvement in the abortive coup in Cambodia, since the government of Cambodia has been recognized by the United Nations. Therefore, it is necessary for the opposition bloc to investigate such an accusation and bring out the facts.

Prachuap Chiayasan, secretary general of the Chat Phatthana Party, said this is a big issue and if the accusation is true Thailand must be condemned for having violated the UN resolution.

Samak Suntharawet, leader of Prachakon Thai Party, revealed that the opposition bloc will start working on this issue after the prime minister returns home from abroad. He added that taking any action now would have a negative impact on the prime minister's mission as he is scheduled to meet with the U.S. President. Samak stressed that the prime minister cannot simply deny his responsibility in this matter.

Meanwhile, General Prasoet Sararit, permanent secretary of the Defense Ministry, said that, judging from the circumstances, it is unlikely that the Cambodian factions will be able to be reconciled or that there will be any peace in Cambodia. The defense permanent secretary reaffirmed that Thailand has never sent its people to interfere in the internal affairs of Cambodia. However, Thai authorities always keep a close watch on developments in Cambodia just as other countries do with their neighboring countries.

Central Bank on Currency's Overall Stability

BK0610122894 Bangkok Radio Thailand Network in English 0000 GMT 6 Oct 94

[FBIS Translated Text] Director of the Office of the Governor of the Bank of Thailand Phisit Li-atham confirmed the stability of the Thai baht. Mr. Phisit says he is confident of the stability of the Thai currency and monetary system as witnessed during the recent fluctuation in the foreign exchange rate due to U.S.-Japan trade conflict. He says trade problems between U.S. and Japan might affect exchange rates, especially the U.S. dollar and Japanese yen. The Thai monetary system has for the past ten years survived several crises, for example, the sharp rise of the yen, the weakening of the U.S. dollar and the European currency crisis. The Thai baht has shown its resiliency and strength to weather all the turmoils and emerge unaffected. He points out that the recent fluctuation prompted Thailand to buy more dollars to service her debts in yen. The government has been prudent in solving the problem, Mr Phisit says, adding that Thailand stands to benefit from the weak dollar and the strong yen in her foreign trade.

Vietnam

VNA Reports 4 Oct Return of MIA Remains

BK0510160494 Hanoi VNA in English 1449 GMT 5 Oct 94

[FBIS Transcribed Text] Hanoi VNA Oct. 5—The Vietnam MIA office returned on October 4 to the American side remains and articles which are believed to relate to US servicemen missing in action (MIA) during the Vietnam war.

The above said remains and articles were given by the local people to the joint search teams and collected during the 31st joint search.

Initial results of the examination collected by Vietnamese and US specialists from Sept. 30 to Oct. [date as received] It shows that nine sets of remains and articles may be returned to the US servicemen missing in actiom during the Vietnam war.

This is the 50th Vietnam handed the remains of US MIA's to the US side since March 1974. [sentence as received]

Representatives of the US side expressed thanks and high appreciation of the Vietnamese Government and people for their humanitarian policy and cooperation.

Do Muoi Receives Chen Xitong, Delegation

BK0510162194 Hanoi VNA in English 1449 GMT 5 Oct 94

[FBIS Transcribed Text] Hanoi VNA Oct. 5—General Secretary of the Communist Party of Vietnam Central Committee Do Muoi received here this afternoon a delegation of Beijing now on a working visit to Vietnam.

Speaking to his guests, the party leader expressed his satisfaction at the fine development of the Sino-Vietnamese relations which have developed fruitfully, reflecting determinations to implement the agreements reached by party and state leaders of the two countries. He renewed the Vietnamese party and people's gratitude to the Chinese party and people for their great support and assistance to Vietnam's revolution and wishes that the parties and people of the two countries would be forever comrades and brothers.

For his part, the head delegate, Mr. Chen Xitong who is also Politburo member of the Central Committee of the Communist Party of China, secretary of Beijing's party committee and supreme advisor to the city's authorities, expressed his rejoice at the fine development of the friendly and cooperative relations between Beijing and Hanoi. He stressed that the party, state and people of China would do their best to maintain and develop the friendship and solidarity between the two parties and countries.

Assembly Delegation Meets With ROK Officials

BK0610060494 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 5 Oct 94

[FBIS Translated Text] At the invitation of the Republic of Korea [ROK] National Assembly, a SRV National Assembly delegation led by Phan Minh Tanh, member of the National Assembly Standing Committee, paid a working visit to the ROK 26-30 September.

During its stay, the Vietnamese delegation held a working session with the ROK delegation to exchange experiences in receiving and settling letters of complaint and denunciation sent to national assemblies of their respective countries. Both sides also exchanged views and experiences on their anti-corruption campaigns and briefed one another on the activities of inspection and control agencies. The Vietnamese delegation visited various ROK production establishments such as the Samsung and Daewoo companies and other corporations which have entered into joint ventures with Vietnam.

Do Muoi Meets Leaders of Northern Provinces

BK0610060194 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 5 Oct 94

[FBIS Translated Text] After their working sessions with the leaders of Ha Bac, Hai Hung, Nam Ha, and Thai

Binh Provinces, Comrade General Secretary Do Muoi; Comrades Dao Duy Tung and Nguyen Ha Phan, secretaries of the party Central Committee; and representatives of some ministries and sections held working sessions in the Provinces of Vinh Phu and Cao Bang with leaders of Vinh Phu, Ha Tay, Yen Bai, Hoa Binh, Cao Bang, Lang Son, Bac Thai, and Tuyen Quang on measures to implement the Fifth Plenum resolution on the transformation of the agricultural structure, the industrialization of agriculture and rural areas, and the construction of new rural areas.

Deputy Minister Interviewed on Industrialization

BK0510141294 Hanoi QUAN DOI NHAN DAN in Vietnamese 26 Sep 94 p 3

[Interview with Nguyen Thien Luan, deputy minister of agriculture and food industry, by an unidentified QUAN DOI NHAN DAN correspondent—place and date not given]

[FBIS Translated Text] [Correspondent] The Seventh Party Central Committee's seven plenum called for "concentrated efforts to step up agricultural and rural industrialization and to develop the branches and trades engaged in the processing of agro-forestry-marine products and in the commodity and export industries." Could you, comrade, tell us how this industrialization task should be carried out in the agricultural and rural domains?

[Nguyen Thien Luan] In order to implement the party line on national industrialization and modernization, the agricultural sector must carry out the following tasks:

—Undertake zoning for the development of various areas of raw materials, mineral ores, and agricultural products in conjunction with efforts to carry out planning for development of the system of agricultural products and food processing establishments in this direction: Peasant households will turn out agricultural products and initially process and temporarily store the commodities intended mainly for domestic consumption, while enterprises will concentrate mainly on turning out products for export.

—Build a number of sectors to produce some main products to exploit the advantage of tropical agriculture, firmly guarantee raw materials for processing and development-oriented industries, meet the people's growing demands for consumption and exports, and gradually create a foothold in the world market for various kinds of farm produce and processed foodstuffs from our country.

—Bring in to full play the potentials of various economic components in the country, increasing cooperation with foreign countries to invest in the development of the processing industries, including small ones in the countryside. In the immediate future, priority must be given to investing in export processing establishments. We must exploit to the fullest the scientific and technological findings of our country and the world, use modern equipment and technology in appropriate proportions, and take advantage of an integration of the sources of raw materials to increase the output, quality, and results of the agriculture and farm produce processing industry.

—Carry out the planning of and reorganization of the machinery network to support the agriculture and processing industries. As an immediate task, efforts must be made to ensure there is enough high-quality equipment and improvised tools for agricultural production in order to develop the processing industries in the countryside and ensure enough replacement parts for the maintenance of processing establishments.

—Combine right from the beginning the processing system and rural industries with the program to regreen denuded land and bare hills for environmental and ecological protection purposes. We must effectively carry out the division of agricultural labor and gradually shift agricultural labor to the farm produce processing industry and rural industries; boost the income of the laboring people, particularly rural labor; and increase the sources of revenue for the state budget.

[Correspondent] On the question of investment in agricultural and rural industrialization, could you be specific?

[Nguyen Thien Luan] It is necessary to concentrate on investment in the following main areas:

—Food storage and processing: We must build a system of storehouses and modern rice mills to provide services for exports in conjunction with efforts to develop storehouses, dryers, and rice husking tools of all shorts in the rural area on a small-scale basis.

—Sugar processing: We must make intensive investments to increase the production output of existing sugar refineries, build new sugar refineries of an appropriate size in large sugarcane growing areas while building small sugar refineries in remote and difficultly accessible areas.

—Tea processing: We must achieve investment cooperation and joint ventures with various countries to obtain their modern technologies and equipment and to modernize our existing plants and build new ones, and to ensure effective production and business.

—Coffee processing: We must build various modern polishing [dqanhs bongs] and sorting establishments to support exports and must encourage the development of processing establishments at the inter-family level in the countryside.

—Rubber processing: We must obtain foreign loans and set up joint ventures with foreign partners to reconstruct our old latex processing facilities and build more modern processing plants to meet the increasing demand for rubber in the coming years.

—Sericultural processing: We must build more automatic sericultural factories in mulberry-planted areas and invest more money in silk weaving, dyeing, and printing to increase the value of our sericultural export products, generate more jobs, and increase the laboring people's income.

—Meat and milk processing: We must build more cold storage facilities and trucks with freezers for use in slaughtering in rural areas and upgrade our milk processing facilities in dairy breeding areas.

—Vegetable processing: We must improve our plants to process diversified vegetable products for local and export markets. We must conduct studies on measures to preserve fresh vegetables and build semi-processing facilities in rural areas.

—Livestock food processing: We must invest more to provide enriched food for livestock breeding. We also have to increase the production capacity of our existing livestock food production factories.

[Correspondent] What measures and methods should we follow to process agricultural products and foodstuff in rural areas?

[Nguyen Thien Luan] In rural areas, the processing of agricultural products is mainly semi-processing on a medium or small scale for the local market. It includes rice milling and foodstuff processing such as noodles, cakes, soft drinks, sauces, and food varieties made from nuts, fish, shrimp, and fruits... [ellipsis as published] Therefore, we must also develop non-agricultural production such as building materials, handicrafts, and services in rural areas. However, in rural areas, the development of the infrastructure such as public roads, electricity, and communications and the construction of modern agricultural processing establishments are important conditions for the development of the rural industry and for agricultural modernization.

[Correspondent] In your opinion, what can we do to accelerate the formation of areas of specialized cultivation?

[Nguyen Thien Luan] First of all, we have to establish a general plan for agricultural production and foodstuff processing in our country. Then, on that basis, we will draw up an outline for agricultural production and foodstuff processing facilities in different regions. We also have to introduce appropriate policies to encourage production for the domestic and world markets. In the market-oriented economy, the state should use macroeconomic measures to accelerate the formation and development of areas of specialized cultivation.

[Correspondent] How do we introduce scientific and technological advances into production?

[Nguyen Thien Luan] The introduction of scientific and technological advances into production must be the task of the entire society and all economic sectors. However, the state should promptly invest in building a strong foundation for science and technology in general, and science and technology for agricultural production and foodstuff processing in particular. Then, businessmen and producers will eventually renew their equipment and technologies themselves to improve their own business efficiency and production.

We must quickly overcome the danger of lagging behind and catch up with the rest of the world, especially with countries in our region. Our peasants and foodstuff processing establishments must apply scientific and technological advances to improve their results in production and business.

TAP CHI CONG SAN

* TAP CHI CONG SAN for July 1994

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Two Basic Issues To Industrialize and Modernize the Country

943E0021A Hanoi TAP CHI CONG SAN in Vietnamese Jul 94 pp 7-10

[Article by Cao Duy Ha, M.A. in economics, Ho Chi Minh National Institute of Politics]

[FBIS Translated Text] The history of industrialization in many countries in the world shows that industrializing and modernizing production is a long-term, difficult, and complex process. In Vietnam, since the Third Congress held in 1960, the party has put forth an industrialization policy in order to advance to socialism. But since that time, we have encountered many objective and subjective difficulties. We had to deal with the destructive air war waged by the U.S. imperialists, who wanted to bomb us back into the stone age. We had a wartime economic management mechanism and had a long period of bureaucratic centralism and state subsidies, which created many obstacles for the expansion of the production forces. Another issue has been the contents and direction of industrialization. For various reasons, we have not yet been able to clearly determine the contents and direction in accord with the country's real situation. Because of these difficulties, industrialization in Vietnam has not been easy and only limited results have been achieved. Today, Vietnam is still a backward agricultural country. Manual labor accounts for a large percentage in the national economy, social labor productivity is low, and we are far behind the developed countries. In order to keep from lagging behind the developed countries and to advance more quickly along the path that has been chosen, we must accelerate the industrialization and modernization of the country. To do this, we must create the following two basic conditions:

I. Correctly Determine the Contents and Direction of Industrialization and Modernization

The Seventh Congress and the interim National Conference of Party Delegates (Seventh Term) have clearly pointed out that from now until the year 2000 and a number of years after that, our country's economy must expand. The average rate of economic growth must be at least 8 percent a year, the national income must increase an average of 8-9 percent a year, and the per capita gross domestic product must reach $400-500. Based on these initial results, the country will move into a new stage of development in order to gradually advance to socialism and hit the target of having prosperous people, a strong country, and a just and civilized society. In order to hit the above targets, we must skillfully coordinate stabilizing politics with building the economy and accelerating industrialization and modernization. This is the best way to prevent Vietnam from falling behind other countries and to enable us to maintain political and social stability, preserve our independence and sovereignty, and maintain a socialist orientation in development.

Human society has experienced great developmental changes. In the past, the wealth of a country was measured by its land, gold, petroleum, iron and steel, and machinery. But today, this is measured mainly in terms of the quantity and quality of the information accepted and adapted. Today, almost all countries in the world that want to survive and develop must have long-term development forecasts and strategies in order to grow or at least prevent themselves from falling too far behind. China has a 15-20 year development strategy. Indonesia and a number of East Asian and Western European countries have a 25-30 year development strategy. Japan has a 50-year development strategy. As for Vietnam, promoting industrialization and modernization is a strategic task if we are to turn Vietnam into a modern and civilized country. In order to carry out this strategic task, the "necessary condition" is to correctly determine the contents and direction of industrialization and modernization in the coming years.

Industrialization actually means building a material and technical base for modern production. In the face of the explosion of the second scientific and technical revolution, to ensure that the country advances quickly and modernizes, we must make full use of the technical achievements scored by the world. Because of this, industrialization must go hand in hand with modernization so that we do not lag behind the developed industrialized countries in the world. Industrialization and modernization must be carried on in Vietnam today in order to mechanize production, replace manual labor with machine labor, make great leaps forward, and take a shortcut in going directly from manual labor to automation in a number of key sectors. As for a number of economic spheres, we may not have to "go through all the steps of mechanization, automation, and computerization. Instead, we can coordinate the achievements scored in many spheres and have development spearheads to take shortcuts. We cannot just use the progressive techniques but must make full use of and modernize traditional techniques." [Footnote 1] [Communist Party of Vietnam, "Proceedings of the Interim National Conference of Delegates (Seventh Term), 1994, page 75] Today, there is a strong tendency to nationalize the production forces. That is both forcing and creating objective conditions for backward economic countries such as Vietnam to coordinate step-by-step movements with technological leaps in order to shorten the time it will take to catch up to the progressive countries and keep from falling farther behind.

In industrializing and modernizing our country, there must be coordination between investing in high technology for production, particularly in the key spheres, in order to quickly build modern production forces and shifting the economic structure from a backward, inefficient economic structure to a modern industrial-agricultural-services economic structure. There must be coordination between many economic elements, and ownership forms and economic relationships here and abroad must be varied. Carrying out industrialization and modernization is not simply a matter of expanding industry. Rather, this involves shifting the economic structure in each sector and sphere and throughout the entire national economy based on progressive technology. Only in this way will our country's economy be able to develop rapidly and effectively and gradually narrow the gap between our country and the progressive countries in the world.

In a backward agricultural country such as Vietnam that has experienced many years of destructive war, there is a fairly wide economic and cultural gap between the cities and rural areas, between the lowlands, midlands, and mountains, and between the south and the north. Because of this, in carrying on industrialization and modernization, we must focus on the backward and very backward areas, invest in agriculture and mountain rural areas, and link industrialization and modernization to agriculture and the rural economy in order to quickly promote equal economic and cultural development among the various regions in the country. The political report presented at the interim National Conference of Delegates (Seventh Term) clearly states that "from now until the end of the decade, much attention must be given to industrializing and modernizing agriculture and the rural area economy." [Footnote 2] [Ibid., page 29] Promoting industrialization and modernization and regarding industrialization as a central task of great significance is in accord with our country's real situation. There is no conflict between this and the policy of continuing to promote the expansion of agriculture. Approximately 80 percent of the country's population currently lives in rural areas, which have men of talent and rich and varied material power. This is great potential that must be exploited, and this is also the target of the policy of a "prosperous people, strong country, and just and civilized society in which everyone is prosperous and happy."

II. Create Assets and Use the Existing Assets

One of the most basic problems in carrying on industrialization and modernization is that it is necessary to have assets. Assets for industrialization and modernization consist of many types: technical materials, arable land, capital, labor forces with a high level of scientific knowledge and excellent skills, and so on. In Vietnam today, such assets are in fairly abundant supply. The question is how to mobilize them from the various spheres of the national economy, economic elements, organizations, and individuals in society in order to create a large source of assets. The need for assets for industrialization and modernization in Vietnam is increasing. This need must be satisfied above all through the use of domestic assets. Domestic assets are decisive, although foreign assets are important. The experiences of a number of Asian countries show that during the initial stage of industrialization, they had to mobilize approximately 50-80 percent of the assets needed from within the country. And for many consecutive years, they had to invest approximately 30 percent of the gross domestic product (GDP) in order to become the "dragons" that they are today. As for Vietnam, in the coming years, in order to sustain an annual average growth rate of at least 8 percent, we must quickly increase total annual investments to 20 percent of GDP in the next several years and then increase this even more in later years. Because of this, mobilizing assets for industrialization and modernization is an important task of the party and all the people in the coming period.

In a multi-faceted commodity economy that moves in accord with a market mechanism that is managed by the state, there are many measures for mobilizing assets. On the macrocosmic scale of the entire economy, good use must be made of the following six basic measures:

1. The state must have policies to protect the legitimate interests of those with investment capital (particularly policies on taxes and profits) so that the maximum amount can be mobilized from sources within the economy. In recent years, our domestic sources of accumulation have equaled approximately 10 percent of

GDP (in neighboring countries, this equals approximately 25-30 percent of GDP). If we strive to raise this to 15-20 percent and can mobilize the maximum for investment in expanding production, each year we will have tens of billions of dong to satisfy the requirements of industrialization and modernization.

2. We must mobilize as much of the idle capital of the people as possible in order to extend credit and transform this capital into useful capital. A number of economists have calculated that there is now approximately 20 trillion dong in idle capital in the hands of the people (in the form of gold, dollars, Vietnamese currency, and so on). And according to statistics, overseas Vietnamese send home about $500 million each year. There are many reasons why these sources of capital have not yet gotten into the investment "canal" for commercial production: fears about the results and safety of the investment capital; the lack of surfaces to build and expand commercial production, particularly the lack of attractive policies; the multitude of bureaucratic procedures necessary to register commercial production activities; and so on. If we can overcome the above obstacles, the economy will certainly gain additional investment capital for industrialization and modernization.

3. Various joint venture forms must be organized well between various economic elements, and a number of large state enterprises must be turned into share enterprises in order to replace state capital with joint-venture capital and stock capital. This measure has many real capabilities to enable the state to concentrate capital on key, high-tech spheres that require much capital in order to accelerate industrialization and modernization. We presently have about 7,000 state enterprises, with each unit having an average of 3-4 billion dong in state assets. But they are not operating efficiently, with most suffering losses or just breaking even. If we turn them into share enterprises, the state will have at least 20 million more dong to invest in spheres requiring concentrated investment by the state, such as building the infrastructure and building large, modern factories.

4. The temporary "social insurance" capital of the insurance corporations that are not using this capital must be mobilized in order to develop new production and service sectors. This will contribute to industrialization and modernization and generate additional material wealth for society. As the commodity economy expands, the incomes of the people increase, and social insurance expands, the amount of idle temporary "social insurance" capital will increase, too. This is a notable source of capital that must be mobilized and used effectively.

5. Foreign capital must be mobilized using many forms based on the policy of opening up the economy, and domestic interests must be coordinated with outside interests. This is an important measure for mobilizing capital for industrialization and modernization. According to estimates, we can mobilize several tens of billions of dollars from abroad using various forms such as having direct investment, obtaining official development aid (ODA), encouraging overseas Vietnamese to send money home, issuing bonds on the international market, and so on. Reality shows that even though we opened the door and promulgated a foreign investment law only recently, we have received 836 investment plans for many sectors with the amount of capital involved reaching $7.5 billion. Vietnam has many favorable conditions for attracting foreign investors: the economy is growing and maturing well; the party and state have implemented open foreign positions and policies; the United States has lifted the embargo; and so on. Because of this, obtaining investment capital from abroad in order to support the industrialization and modernization of the country is one of the very promising measures.

6. In order to attract various types of assets to form sources of centralized capital, in its capacity as manager, the state must create many "canals" for the capital to operate. In particular, it must establish and expand the capital markets in order to create a competitive investment environment and direct the capital into the most efficient and favorable production and commercial spheres.

Mobilizing capital and making effective use of the capital are two sides of the same problem, and they are closely related to each other. Only if the capital is used effectively will it be possible to create good conditions for mobilizing capital. In Vietnam today, the use of capital is related to a mechanism for allocating, controlling, and preventing the waste and loss of investment capital. In my view, the state must do the following:

First, it must concentrate capital on exploiting the existing economic capabilities that require little capital but that will soon produce good results. Great care must be taken in selecting sectors that attract large amounts of investment capital in order to hit two targets: this must both support industrialization and modernization and also generate good economic results. Broad and intensive investments must be coordinated with respect to those sectors that require additional investment capital. Investment capital must not be poured into sectors that are not needed or that are not urgent. State capital must be reserved for building the economic and social infrastructure and sectors that cannot recover the capital. This capital must also be reserved for building a number of key industrial installations and a number of installations that process agricultural, forestry, and marine products for export and for financing the plans to create jobs, cover the barren hills, and catch marine products.

Second, the management of all sources of foreign loans must be unified, and the use of this capital must be controlled in accord with the major targets of the economy based on the requirements of industrialization and modernization.

Third, attention must be given to synchronized investment in the material and technical base, particularly in a number of key sectors and highly profitable sectors that can return the capital quickly and generate much income for society. This is a requirement of industrialization today.

Fourth, good use must be made of the "scientific minds," which are a very important asset. No matter how large the material assets (cash, technical materials, arable land, and so on) are, without "scientific minds" to make effective use of those assets, their effect will be very limited. Our country has great potential regarding "scientific minds." But for a long time now, we have not made efficient use of this asset or provided adequate compensation. Consequently, results have not been good. Thus, we must have a strategy to make effective use of this asset. The scientific and technical forces must be employed in the right sectors in accord with the requirements in order to exploit their intelligence and skills fully. To do this, the policies on compensating scientific and technical cadres and skilled workers must be renovated. We must study, supplement, and revise those aspects of the compensation policies that are inappropriate in order to create a powerful "profit" lever so that everyone uses his intelligence and skills to support the industrialization and modernization of the country.

Fifth, the rate of return on capital must be increased through the synchronized use of capital management and use measures. In particular, there must be a rational allocation of the various types of assets (fixed assets, mobile assets, materials, commodities, cash, and so on) in each enterprise and sector and throughout the entire economy so that the assets circulate constantly without interruption.

Sixth, statistical-accounting procedures and auditing procedures must be implemented strictly for all types of assets in use in the economy in order to discover and promptly deal with situations in which assets are being wasted or used inefficiently.

Seventh, the banks and Ministry of Finance must coordinate issuing circulars and directives to guide the sectors and echelons in controlling the use of the foreign loans invested in industrialization and modernization in order to achieve the best results possible, preserve the loan capital, pay the debts on time, and maintain our reputation in international relations.

Transferring Technology During the Process of Industrialization and Modernization in Vietnam

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[Article by Phan Thanh Pho, M.A., associate professor at the National College of Economics in Hanoi]

[FBIS Translated Excerpt] [Passage omitted] The countries that chose the socialist path generally carried on industrialization based on the model of the Soviet Union, the first socialist country. Actually, this was a classical model of industrialization, but it had a different orientation and made certain changes: It started from heavy industry rather than light industry, and greater priority was given to heavy industry than to agriculture and light industry. There were objective reasons for this. As the first socialist country, the Soviet Union had no choice but to quickly create a material and technical base strong enough to enable it to survive and grow even though it was encircled by capitalism.

After the Second World War, because of the effects of unequal development and the scientific and technical revolution, the industrialization model of the countries that were following the socialist path began to change. These countries had to give attention to the new historical situation and the modern scientific and technical revolution. But for many reasons, particularly because of the command economy model, because of the long-used bureaucratic centralism and state subsidies planning mechanism, and because of the difficulties regarding capital and the renovation of technology, these countries were not able to renovate their industrialization model. And as we all know, the results were disastrous for them, and they have collapsed.

Our model of industrialization has been greatly influenced by the Soviet Union's industrialization model. Because of this, we, too, have been affected by the above situation. After many years of industrialization, our country's agriculture is still very backward. We still can't rely on agriculture in order to raise the average per capita income to any noticeable degree. Commodity agricultural products have not become a source of revenues that we can rely on to build industry or the infrastructure to serve industry. There is still a shortage of crop varieties, and the production structure has not changed very much. Because of this, our ability to earn foreign currency by exporting agricultural products is still very limited. Taxes collected from agriculture and the rural areas are far below those collected from the urban zones. In 1989, Hanoi and Haiphong paid 178.1 billion dong in taxes, but the Red River Delta paid only 4.6 billion dong. And while Ho Chi Minh City and the suburban areas paid 655 billion dong, the Mekong Delta paid only 134.8 billion dong. Something else that needs to be pointed out is that of the taxes paid by the rural areas, the state invests most of this money in agriculture and the rural areas. Thus, rural area contributions to the state budget are virtually nil (source: IBRD [International Bank for Reconstruction and Development], 1992, page 65).

With respect to industry, to date, our country still hasn't escaped from small-scale production. Overall, the industrial sector accounts for only 19 percent and manufacturing and processing account for only 16 percent of the gross domestic product (GDP). But the figures for Taiwan in 1960 were 25 and 17 percent respectively. In Thailand in 1970, the figures were 25 and 16 percent respectively, and in China in 1980, the figures were 45 and 37 percent respectively. On a per capita basis, we are still far behind Taiwan and China regarding a number of types of industrial products. (Taiwan in 1960 and China in 1980 were 20-30 times ahead of us with respect to steel and machinery and 10-20 times ahead of us with respect to engines and electric fans.)

In short, as an American professor at Johns Hopkins University [Footnote 1] [See James Riedel, "Vietnam, Following the Footprints of the Tigers," Johns Hopkins University. (Article written with a grant by the World Bank through the UN Development Program Commercial Development Program)] stated: self-reliant industrial development in Vietnam during the past 20 years has failed to create an industrial base on a scale approaching that created in Taiwan and China during the inwardly oriented stage of industrial development. This means that we are more than 10 years behind China and more than 20-30 years behind Taiwan.

Reality shows that the classical model of industrialization and the industrialization model used by the countries following the socialist path (which includes Vietnam) has certain limitations. Using this model, it will be difficult to avoid the following:

Technological backwardness. Because of this, it will be difficult to catch up to those countries that are highly developed economically and socially.

It will not be possible to make full use of the absolute and relative strengths and advantages, and the products products will not be competitive. Because of this, it will be very difficult to become integrated with the world market economy.

Thus, if we continue adhering to this model, we will remain backward and not be able to keep up with the great strides being made by other countries in the world.

In the present age, the laws of uneven development are greatly influenced by the scientific and technical revolution. Thus, uneven development in terms of technology and civilization between the developed and developing countries is increasing. In the last century, theories on uneven development and on absolute and relative strengths were not very important. But today, they are very important. Today, relying on these theories and on the laws on rapid and orderly development, we can greatly shorten the time needed to advance from being an economically underdeveloped country to being an economically developed country. Based on those theories, almost all countries that are carrying on industrialization are linking industrialization to modernization and internationalization through the transfer of technology. The experiences of Japan and the newly industrialized countries (NIC) show that thanks to carrying on industrialization following this path, they have been successful in overcoming the limitations of the classical model of industrialization and quickly developed their economies.

Based on the lessons of history, it can be predicted that in the first decades of the 21st Century, the countries that got a late start in carrying on industrialization will choose the path of "linking industrialization to modernization and internationalization through the transfer of technology" or the path of "industrialization based on exports."

Transferring technology means transferring both "hardware" (machinery and equipment) and "software" (technological processes and methods) from one country to another and transferring the ownership and use rights to the technology transferred. Based on the experiences of Japan and the newly industrialized countries in Asia (which includes Taiwan, China, and Thailand), transferring technology is linked to formulating an export-oriented industrialization strategy. Because world markets are points where commodities are concentrated, things must be very strict with respect to methods, quality, time periods, and prices. Competition here obeys the laws of a market economy. Competition within national markets and in each country has become commodity competition between peoples with different interests. Any people or nation that makes effective use of its absolute and comparative advantages will be successful in competing. In these conditions, during the initial period, the underdeveloped countries usually use an import-substitution industrialization strategy, which is a strategy that is suited only to domestic markets and a closed-door economy in which production relies mainly on domestic technology. Experience shows that if a country adheres to this industrialization strategy, it will not be possible for the country to become prosperous quickly. Thus, an export-oriented industrialization strategy must be used instead.

Transferring technology will enable the industrially underdeveloped countries to modernize rapidly in the present age. But to do this requires certain preconditions. In my view, to carry on industrialization in Vietnam through the transfer of technology, the following conditions are necessary:

1. The people's standard of culture must be high, and there must be a thirst for knowledge. This is an essential condition. Based on the experiences of Japan, without this condition, it will not be possible to accept foreign technology even if the initial period is one of imitating other countries. Today, in terms of the percentage of students and percentage of adults who are literate as compared with the population, Vietnam is at the same level as Taiwan, Thailand, and China when they began to "take off." This means that Vietnam can switch from an import-substitution industrialization strategy to an export-oriented industrialization strategy through the transfer of technology. However, something that should be noted is that today, in terms of development, Vietnam is 25-30 years behind Taiwan and 15-20 years behind Thailand and China. With respect to the quality of our instruction and training, our understanding of a market economy and science and technology is inferior to theirs.

Laziness among general-school students and college students is fairly widespread. The concept of national pride and self-respect does not match the technology transfer requirements.

The above limitations, particularly the quality of education and training and national pride and self-respect, are posing an obstacle to accepting new technology through the transfer of technology. Thus, we must have correct solutions that can be implemented. Science and technology and education and training must be regarded as the "leading national policy." Education and training must be socialized, and everything must be manifested starting from the investment policies of the state and society.

2. Domestic accumulation and investment must be maintained well. It probably isn't necessary to say too much about accumulation and the relationship between accumulation and investment, particularly investment through the transfer of technology. Accumulation is a law of expanded reproduction and modernization. The sources of accumulation include both domestic and foreign sources. This, too, is a precondition for transferring and accepting the transfer of new technology in connection with changing the focus of our industrialization strategy. In Vietnam, accumulation is still low. Investment has reached only 12 percent (it was 20 percent in Taiwan in 1960 and 29 percent and 26 percent in China and Thailand respectively in 1970). The accumulation percentage in the country is relatively low, with the main reason being the limited capabilities of the state economic sector. Accumulation in the private economic sector has increased well, doubling from 5 percent to 10 percent during the period 1988-1990. Is that a real trend or just a temporary phenomenon due to the use of solutions based on the existing situation? People have various opinions about this. This is easy to understand, because the solutions proposed are not really basic. Most of the results that have been achieved have been in the household economy rather than in large private businesses. Furthermore, the evaluation and review periods have been very short. The problems are still ahead.

The experiences of Taiwan and Thailand show that weaknesses in the nation's finances limit domestic accumulation, which poses a major obstacle in switching from an import-substitution industrialization strategy to an export-oriented industrialization strategy through the transfer of modern technology. In order to overcome the above obstacle, in my view:

a. Attention must be given to the experiences of Japan: "accumulating without relying on foreign capital" and maintaining a "low population growth rate" during the period of transferring and accepting the transfer of technology. The initial accumulation measures used by Japan can be summarized as follows: exploit the peasants (through high taxes and receipts); hold wages at a relatively low level; implement the motto "savings produce accumulation" and elevate the concept of frugality; and use bank credit mechanisms to create capital for production. Japan has constantly given attention to maintaining a low population growth rate. From 1920 to 1936, the population grew at a rate of 1.1 percent. From 1940 to 1950, the rate was 1 percent. From 1950 to 1975, the rate was 1.2 percent, and from 1975 to the present it has been 0.8 percent. Japan borrows money from abroad only when it is absolutely necessary.

b. A multi-faceted economic structure policy must be implemented uniformly in line with Japan's experiences on the use of a two-level structure: giant enterprises with fairly high concentrations of technology and capital and medium-sized and small enterprises with technology requiring the use of many laborers who are paid low wages. These two levels will both compete and cooperate with each other, and they will exist and grow together.

c. Relations with other countries must be expanded mainly by attracting joint venture investment capital or total investment capital based on the transfer of modern technology.

d. The population growth rate must be reduced even more. Today, even though our population growth rate has declined as compared with before, it is still too high (approximately 2 percent). If we do not continue reducing the population growth rate, we will not be able to quickly overcome the growing shortage of arable land, the decline in the forests and environment, the serious shortage of jobs, the decline in the per capita gross national product (GNP), the low level of accumulation, and so on. Naturally, this will have a great effect on accepting the transfer of new technology.

3. Steps must be taken to ensure that the technological gap between the countries that produce technology and those that import technology does not become too wide. This is a condition for making choices in the process of transferring and accepting technology. If the country that is importing technology chooses highly advanced technology and has not made preparations in advance, it will not be able to make full use of this technology, maintain safety, or achieve results when using the new technology.

Today, with respect to technological standards, the agricultural, industrial, and infrastructural construction sectors in our country are much weaker than those in neighboring countries at the point in time when those countries entered the stage of industrial development. (For example, we are 10 years behind China and 20-30 years behind Taiwan.) Thus, in order to be successful in moving into the stage of industrial development, we must:

a. Soon prepare the conditions necessary for accepting modern technology. This includes correctly determining the key spheres and sectors that must make breakthroughs; training ranks of scientific and technical cadres in advance; and reorganizing production and the division of social labor among the traditional sectors and new sectors.

b. Arrange the scale of the large, medium-sized, and small enterprises in a scientific way and in accord with reality. Attention must be given to both tangible and intangible wear and tear in determining the rate of depreciation of the fixed assets when accepting the transfer of new technology. Construction and installation times must be shortened in a reasonable manner when importing new technology.

4. The macrocosmic management capabilities of the state must be improved. Today, the transfer of new technology in the world has many advantages, but this is also very complex. In order to simplify the acceptance of new technology, the "midwife" role and macrocosmic management capabilities of the state must be improved. In particular, comprehensive industrialization policies must be formulated, with industrialization linked to modernization through the acceptance of new technology. At the same time, the capabilities, spirit of responsibility, and sense of "diligence, frugality, integrity, honesty, and fairness" of those in our country involved in selecting and accepting the transfer of new technology must be elevated.

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